

# CITIZENS' REPORT

SUMMARY OF PERFORMANCE AND  
FINANCIAL INFORMATION



THE DEPARTMENT  
OF THE TREASURY

FISCAL YEAR 2011

# THE UNITED STATES DEPARTMENT OF THE TREASURY



## Our Mission

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources.



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and search for “2011 Citizens’ Report”

## MESSAGE FROM THE SECRETARY OF THE TREASURY



During the last three years, President Obama has taken a series of tough but necessary steps to help break the back of a historic financial crisis and restart economic growth. Because of those actions, we are in a much better position as a nation, but we still face many challenges ahead.

Although the economy is expanding, it is not growing fast enough. The private sector is creating jobs, but too many Americans are still out of work. The scars of the financial crisis were deep and it will take a consistent, determined effort to heal the damage that it caused to families and businesses across our nation. That is why President Obama is relentlessly focused on doing everything he can to strengthen growth and job creation – both right now and for the long term.

In September, the President put forward the American Jobs Act to Congress. This proposal includes a powerful package of tax cuts and new investments that will help put more Americans back to work right away.

He is working with federal agencies – through a series of executive actions – to make it easier for Americans to refinance their mortgages and lower the cost of their student loans, which will help put more money in the pockets of average families.

Importantly, he is also partnering those immediate steps to strengthen job creation with long-term reforms that provide more certainty that we can sustain growth in the future.

The President is working to reduce our long-term deficits in a balanced way that protects health care and retirement security, and creates room to invest in the areas we need to keep our economy competitive.

The President, the Treasury Department, and key regulatory agencies are putting in place financial reforms that will help ensure businesses can access the capital they need to expand and create new jobs, and consumers are protected from fraud and abuse.

We are also continuing to work with our G-20 partners to promote sustainable and balanced global growth, achieve needed financial reforms across the globe, and address fiscal pressures in Europe.

The Treasury Department has and will continue to work diligently in support of those efforts to strengthen job growth and achieve the reforms necessary to secure our nation's economic future.

The Treasury Department again received an unqualified opinion on its consolidated financial statements, and we also received another unqualified opinion on the financial statements of our Office of Financial Stability/Troubled Asset Relief Program. Rather than providing a single Performance and Accountability Report for fiscal year 2011, we are producing separate financial and performance reports. We issued the fiscal year 2011 Agency Financial Report on November 15, 2011. The Annual Performance Report will be included in the Congressional Budget Justification in February 2012.

We have validated the accuracy, completeness, and reliability of the financial and performance data in this report. Maintaining our commitment to continuous program and operational improvement, the Department also made progress in reducing management control weaknesses and in efforts to achieve federal financial systems and control objectives.

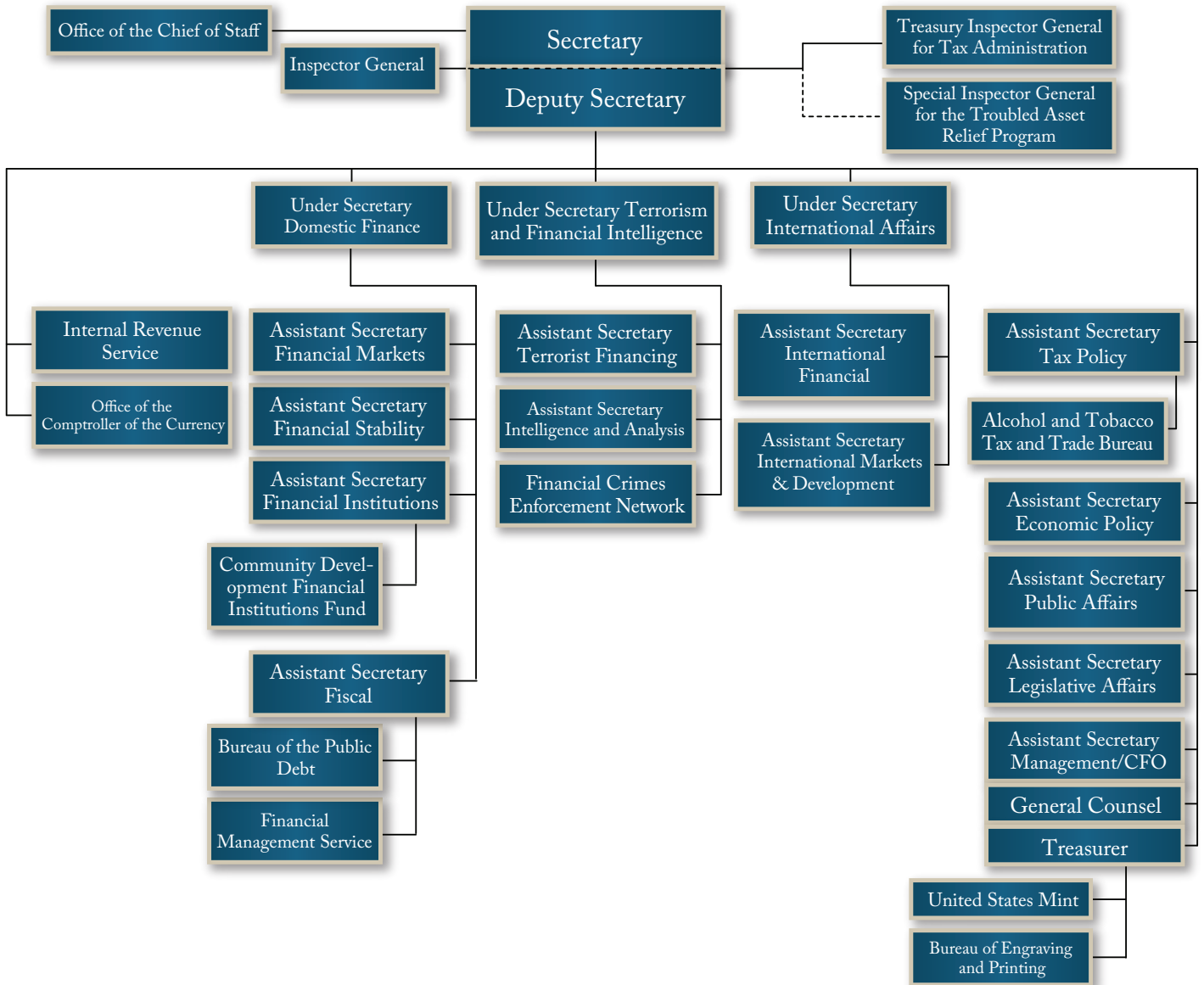
Timothy F. Geithner

November 15, 2011

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## THE DEPARTMENT OF THE TREASURY ORGANIZATIONAL CHART



## TREASURY'S FISCAL YEARS 2007-2012 STRATEGIC FRAMEWORK

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

	Strategic Goals	Strategic Objectives	Outcomes
Financial	Goal 1: Effectively Managed U.S. Government Finances	Cash Resources are available to operate the government	<ul style="list-style-type: none"> <li>Revenue collected when due through a fair and uniform application of the law</li> <li>Timely and accurate payments at the lowest possible cost</li> <li>Government financing at the lowest possible cost over time</li> <li>Effective cash management</li> <li>Accurate, timely, useful, transparent and accessible financial information</li> </ul>
Economic	Goal 2: 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  Trust and Confidence in U.S. currency worldwide	<ul style="list-style-type: none"> <li>Strong U.S. economic competitiveness</li> <li>Competitive capital markets</li> <li>Free trade and investment</li> <li>Prevented and mitigated financial and economic crises</li> <li>Commerce enabled through safe, secure U.S. notes and coins</li> </ul>
Security	Goal 3: 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	<ul style="list-style-type: none"> <li>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</li> <li>Safer and more transparent U.S. and international financial system</li> </ul>
Management	Goal 4: Management and Organizational Excellence	Enabled and Effective Treasury Department	<ul style="list-style-type: none"> <li>A citizen-centered, results-oriented and strategically aligned organization</li> <li>Exceptional accountability and transparency</li> </ul>

## TREASURY'S FISCAL YEARS 2010-2011 AGENCY PRIORITY GOALS

Treasury established three Agency Priority goals to support improvements in near-term outcomes related to the strategic plan.

PRIORITY GOALS	KEY STRATEGIES
Goal 1: Repair and Reform the Financial System	<ul style="list-style-type: none"> <li>Implement strong, comprehensive regulatory reform</li> <li>Restore stability and accountability to the financial system</li> <li>Manage and exit emergency financial crisis intervention programs</li> <li>Support recovery in the housing market and reduce avoidable foreclosures</li> <li>Devise long-term solutions for our nation's system of housing finance</li> </ul>
Goal 2: Increase Voluntary Tax Compliance	<ul style="list-style-type: none"> <li>Simplify the tax code by providing and improving taxpayer services to enable taxpayers to understand and meet their tax obligation</li> <li>Provide and improve enforcement to ensure that all businesses and individuals pay the tax they owe</li> </ul>
Goal 3: Significantly Increase the Number of Paperless Transactions with the Public	<ul style="list-style-type: none"> <li>Improve effectiveness and efficiency through greater use of electronic processing of documents including payments, collections, saving bonds transactions, and e-file tax returns</li> <li>Contribute to the Department's environmental sustainability</li> </ul>



## TREASURY'S FISCAL YEARS 2010-2011 AGENCY PRIORITY GOALS

### GOAL #1: REPAIR AND REFORM THE FINANCIAL SYSTEM

In fiscal year 2011, the Department coordinated with the appropriate regulators to implement additional protections passed in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), including writing new rules that create heightened standards for non-bank financial firms if their material financial distress could threaten financial stability; improve alignment of interests between mortgage originators, securitizers, and investors; and restrict banks' speculative activity.

The financial recovery bank programs under the investment portion of the Troubled Asset Relief Program (TARP) have provided a substantial positive return to the taxpayer (see figure 1). Moving forward, Treasury is working to exit the remaining investments and continue recovering tax payer dollars. Figure 1 depicts the income received from the TARP investments since June 2009.

In February 2011, Treasury delivered a report to Congress that provides a path forward for reforming America's housing finance market. The Administration's plan would wind down Fannie Mae and Freddie Mac and shrink the government's current footprint in housing finance on a responsible timeline. The plan also recommended reforms to continue fixing the fundamental flaws in the mortgage market through stronger consumer protection, increased transparency for investors, improved underwriting standards, and other critical measures.

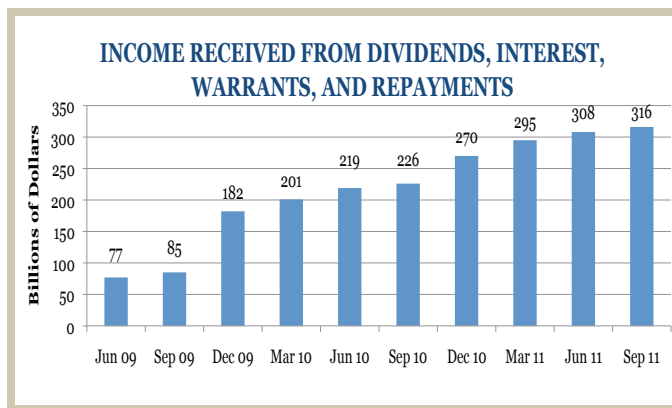


Figure 1

### GOAL #2: INCREASE VOLUNTARY TAX COMPLIANCE

A voluntary compliance tax system requires effective services so that taxpayers understand and meet their tax obligations. During fiscal year 2011, the IRS continued to develop and improve on products and services such as updating forms to help taxpayers comply with filing requirements, converting forms for visually impaired taxpayers, translating more tax products into multilingual forms, reducing taxpayer telephone wait time, expanding information on IRS.gov and social media sites, and working with banks so that taxpayers without bank accounts could receive refunds on prepaid debit cards in the 2011 filing season.

In the 2011 filing season, the IRS processed more than 100 million individual tax returns electronically, achieved a 76.9 percent e-file rate (see figure 2); completed 76.5 million phone calls through its live assistants and automated prompts; and partnered with state taxing authorities, volunteer groups, and other organizations to enhance taxpayer outreach and education. The IRS and its partners continued to provide free tax assistance to the elderly, disabled, and limited English proficient individuals and families at Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites. These two programs, along with the IRS walk-in sites at the Taxpayer Assistance Centers, helped more than five million taxpayers complete their tax returns.

IRS enforcement activities, such as examination and collection, continued to remain a high priority. The IRS also expanded its enforcement presence internationally, continued to pursue high net-worth noncompliant taxpayers, and initiated action to better leverage the tax return preparer community. During fiscal year 2011, as part of an overall strategy to improve offshore compliance, the IRS initiated a second Offshore Voluntary Disclosure Program to encourage taxpayers to voluntarily disclose hidden offshore assets. The program resulted in approximately 30,000 voluntary disclosures and resulted in approximately \$2.2 billion in additional tax, interest, and penalties.

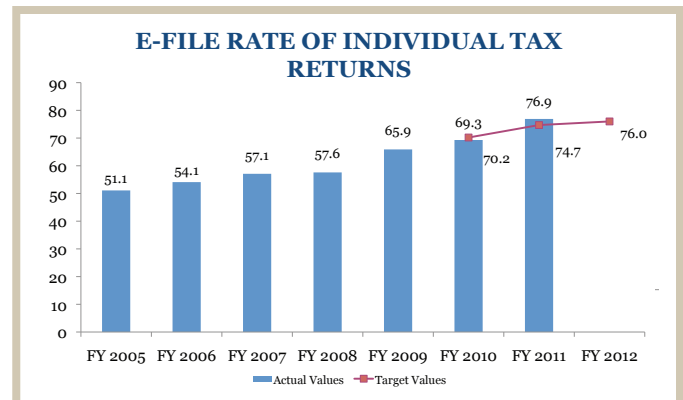


Figure 2

### GOAL #3: SIGNIFICANTLY INCREASE THE NUMBER OF PAPERLESS TRANSACTIONS WITH THE PUBLIC

Treasury continues to reduce paper transactions with the public to cut costs, reduce fraud, and improve efficiency. The Secretary approved several initiatives to move toward electronic transactions: electronic payroll savings bonds, electronic payments to federal beneficiaries, and electronic tax collections. Treasury's initiative to increase the number of paperless transactions it conducts with the public is expected to save more than \$500 million and 12 million pounds of paper over its first five years alone. These efforts also contribute to the Department's environmental sustainability.

In fiscal year 2011, Treasury implemented many of the planned changes to reduce paper-based transactions. Treasury ended the issuance of all paper payroll savings bonds in January 2011, and announced that the issuance of paper savings bonds sold over-the-counter at financial institutions would end by December 31, 2011. In 2011, the IRS expanded its electronic filing program to allow businesses to pay taxes electronically. The Department also made progress moving to electronic

payments, by requiring all new recipients of benefit payments to receive their payments electronically starting May 1, 2011. Treasury will continue to make progress toward electronic transactions and find opportunities to reduce costs, improve efficiency, and operate sustainably (see figure 3).

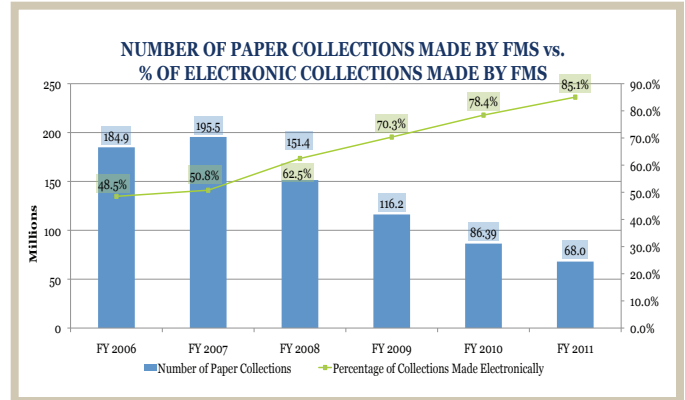


Figure 3

## FISCAL YEAR 2011 PERFORMANCE BY STRATEGIC GOAL

### EFFECTIVELY MANAGED U.S. GOVERNMENT FINANCES

The Treasury Department manages the nation's finances by collecting money due to the United States, making its payments, managing its borrowing, and performing central accounting functions. Sound financial management practices allow the government to meet its financial obligations while minimizing borrowing costs. In pursuit of its strategic goal, Treasury led the Administration's efforts to create a tax system that is simpler, and, fairer. Additionally, the Department continued initiatives to improve efficiency and lower the cost of operating the Federal Government.

### DEVELOPED TAX PROPOSALS TO SIMPLIFY THE TAX CODE

The Department accomplished its fiscal year 2011 tax reform and simplification objectives through the legislative, regulatory, and policy efforts of the Office of Tax Policy. In 2011, Treasury released guidance on over a dozen tax provisions of the Affordable Care Act (ACA), including tax credits, revenue provisions, and (in collaboration with the Departments of Health and Human Services (HHS) and Labor) insurance market reforms incorporated into the Tax Code.

### SIMPLIFIED TAX ADMINISTRATION

To enforce the law and ensure everyone meets his or her obligation to pay taxes, the IRS strives to improve its products and services to make voluntary compliance easier. In fiscal year 2011, the IRS expanded the number of automated products and services such as an "Interactive Tax Law Assistant" web application, the IRS2Go smartphone application, and new IRS social media websites. The IRS also continued its efforts to improve clarity, accuracy, and effectiveness of correspondence by redesigning notices in plain language and translating many high-volume notices into multiple languages. In recognition of this redesign work, the IRS received the 2011 grand prize [ClearMark award](#) from the Center for Plain Language, which honors the documents and websites that best succeed in clear communication.

In fiscal year 2011, the IRS received more than 100 million electronic individual tax returns in a single filing season and passed the one billion mark for individual tax returns processed since the program began in 1986. The IRS also continued to increase the amount of tax information and services provided to taxpayers through IRS.gov, and received a ["Best of the Web" award](#) for performance and quality.

### IMPROVED GOVERNMENT-WIDE FINANCIAL MANAGEMENT

Following the June 2010 Presidential Memorandum "Enhancing Payment Accuracy Through a "Do Not Pay List," BPD, the Office of Fiscal Policy, and the Office of Management and Budget are collaborating to implement this initiative. This project, known as the GOVerify Business Center, will include the GOVerify Portal, Business Center, and Customer Call Center. In fiscal year 2011, BPD established agreements with select Federal Reserve Banks to help implement the program, conducted customer outreach, obtained five data sources, and proposed legislative changes in support of the GOVerify Portal.

The Office of Financial Innovation and Transformation was created in 2010 to develop and share government-wide financial solutions to lower overall financial transaction processing costs, facilitate the resolution of audit issues, and increase transparency of financial information. In fiscal year 2011, the team identified key initiatives that could be implemented over the next five years to collectively deliver \$1-2 billion in annual savings upon full adoption by the Federal Government.

## U.S. AND WORLD ECONOMIES PERFORM AT FULL ECONOMIC POTENTIAL

The Treasury Department develops, coordinates, and enforces the economic and financial policies that enable sustained development at home and abroad. In fiscal year 2011, Treasury programs to help strengthen and reform the financial system made substantial progress. TARP's bank programs have provided a substantial positive return to the taxpayer. Treasury also continued to work in cooperation with the Federal Housing Finance Agency (FHFA) to support the housing market and manage the taxpayers' investment in the Government Sponsored Enterprises (GSEs).

The Department also focused on spurring economic growth for local communities and American small businesses through initiatives designed to provide funding for projects that would encourage job creation and further investment. On the global stage, Treasury collaborated with key partners to ensure American economic competitiveness and prosperity through stabilization of financial systems abroad and support of open trade and investment policies.

## PROFITABLY MANAGED THE TROUBLED ASSET RELIEF PROGRAM

In the fall of 2008, the nation was in the midst of the worst financial crisis since the Great Depression. In order to prevent the collapse of the U.S. financial system and economy, the Emergency Economic Stabilization Act of 2008 was enacted into law to create TARP, under which the Department of the Treasury took a variety of actions to stabilize the financial system and prevent a possible second Great Depression. The authority to make new commitments to invest funds under TARP expired on October 3, 2010. Treasury is moving to recover the Federal Government's investments in a manner consistent with the duty to promote financial stability and protect taxpayers' interests.

Several major developments occurred in fiscal year 2011. On March 30, Treasury announced that TARP's bank programs officially turned a profit. Moving forward, Treasury is working to exit the remaining investments and continue recovering taxpayer dollars. Ultimately, Treasury expects that TARP's bank programs will produce a lifetime profit of more than \$20 billion. In May 2011, Chrysler repaid the remainder of its TARP loans, a full six years ahead of schedule. Additionally, the American International Group (AIG) completed a major restructuring plan, marking a major milestone in the company's remarkable turnaround and putting taxpayers in a better position to recover their investment in AIG. Finally, Treasury began selling its mortgage-backed security portfolio acquired under the Housing and Economic Recovery Act.

## WORKED TO STABILIZE THE HOUSING MARKET

Treasury played an important role in the government's programs to prevent avoidable foreclosures and support the continued repair of the housing market in fiscal year 2011. Under Treasury's Home Affordable Modification Program (HAMP), one of several critical homeownership assistance programs under the [Making Home Affordable](#) initiative, more than 800,000 families received permanent mortgage modifications. By setting affordability standard procedures and providing a framework for homeowner assistance that the private sector can follow, HAMP has also driven industry improvements that resulted in two million additional modifications outside the program. Treasury continues to refine and strengthen the Department's housing programs and is taking additional steps to help ensure Americans are better served by their mortgage companies. These steps include publishing a compliance [scorecard](#) for each of the 10 largest HAMP servicers and requiring all Making Home Affordable-participating servicers to assign a single point of contact to each homeowner requesting a HAMP modification.

In February, the Administration laid out a plan to wind down Fannie Mae and Freddie Mac and reform the nation's housing finance system. The [report](#) reflected Treasury's view that private capital should provide the dominant share of mortgage credit, and Fannie Mae and Freddie Mac should be wound down commensurate with the health of the housing market and the economy. The report concluded that government should have three core responsibilities in the housing finance market: consumer protection and robust supervision, targeted assistance for low and medium income homeowners and renters, and the ability to provide market stability in the event of a crisis.

Treasury is also working with FHFA on new options for selling single-family real estate owned properties held by Fannie Mae and Freddie Mac, and the Federal Housing Administration, as well as changes to the Home Affordable Refinance Program that would help allow more Americans to refinance their mortgages at today's historically low rates.

***We do not have to choose between stability and growth. Rather, they are both key ingredients to a healthy economy, and our careful, balanced approach to implementation recognizes the importance of both.***

*-Neal Wolin, Deputy Secretary of the Treasury*

## CONTINUED TO IMPLEMENT REGULATORY REFORM

In fiscal year 2011, Treasury continued to implement the Dodd-Frank Act; wind down emergency financial stabilization programs that began in 2008 and 2009 in the wake of the financial crisis; and promote a better environment for investment and job creation.

Treasury established the Consumer Financial Protection Bureau, the Financial Stability Oversight Council, the Federal Insurance Office, and the Office of Financial Research; accomplished the closure of the Office of Thrift Supervision and the integration of many of its functions into the Office of the Comptroller of the Currency; and worked with other government agencies to develop new market regulations and guidance. Over the past year, Treasury has worked tirelessly with the new regulatory bodies and other agencies to strengthen safeguards for consumers and investors and to provide better tools for limiting risk in major financial institutions and financial markets.

## SUCCESSFULLY MANAGED THE RECOVERY ACT

The Department of the Treasury played a pivotal role in implementing the Recovery Act in fiscal years 2009 and 2010. In fiscal year 2011, the Treasury managed the transition of most Recovery Act programs to the compliance, oversight, and monitoring phase. The Department estimated that it managed programs that have or will contribute approximately \$150 billion in direct relief to the American people.

Treasury continued to manage several Recovery Act programs in fiscal year 2011, including several bond programs and grants in lieu of tax credit programs. Some of the programs expired on December 31, 2010, while others operate under authority that has continued.



*Deputy Secretary Wolin visits a factory in Illinois.*

## SUPPORTED DISTRESSED COMMUNITIES

In fiscal year 2011, the Community Development Financial Institutions (CDFI) Fund's core program awarded \$167.3 million in funding to 167 CDFIs to provide loans, investments, financial services, and technical assistance to underserved populations and low-income communities (LICs). The CDFI Program awardees provided funds for projects that created or maintained 25,199 jobs and leveraged \$1.5 billion in private investment. The New Markets Tax Credit Program, which provides tax credit allocation authority to Community Development Entities for targeted investments in LICs, competitively awarded \$3.5 billion based on 2010 tax credit allocation authority. Allocatees estimate the funds will create 67,744 jobs, including 37,669 construction-related jobs.

## STRENGTHENED AMERICA'S SMALL BUSINESSES

In September 2010, President Obama signed the Small Business Jobs Act into law to provide critical resources to help small businesses continue to support the economic recovery and create jobs. Treasury played an important role in implementing the law by initiating two programs that increase capital to small businesses: the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI). In fiscal year 2011, Treasury approved \$ 4.03 billion in funds for community banks and community development loan funds to increase lending to small businesses through the SBLF. During the same period, SSBCI approved \$435 million for disbursement to states.

## IMPROVED CURRENCY AND COIN MANUFACTURING

In fiscal year 2011, the Bureau of Engraving and Printing (BEP) continued progress in developing tactile features that will enable the blind and visually impaired to denominate currency and continued testing and development of counterfeit deterrent features for possible use in the Nation's currency. In fiscal year 2011, the United States Mint took initial steps toward transforming coin production. The U.S. Mint undertook implementation of incremental manufacturing improvements to make operations more efficient as well as more environmentally sustainable.

## PROMOTED FREE TRADE AND INVESTMENT

Treasury was involved in over 80 specific trade actions, including initiation of trade disputes, review of country eligibility for preference programs, intellectual property enforcement, and review of specific trade petitions and recommendations.

Treasury initiated and continued efforts to resist trade and investment protectionism, in particular through continued monitoring of trade and investment measures under the [the G-20](#) Standstill Declaration, through which the heads of the 19 largest economies and the European Union agreed to avoid trade protectionism. Treasury also plays a central role in pursuing a level playing field by engaging with China on priority trade and investment issues, particularly through departmental leadership in the Strategic and Economic Dialogue. The Department has persistently urged China to move away from policies that distort international competition and disadvantage U.S. workers, firms, and investors.

Treasury also supported the Administration in completing the negotiations of amendments to the Korea-U.S. Free Trade Agreement, and in readying the free trade agreements with Columbia and Panama for Congressional approval.

## LED INTERNATIONAL EFFORTS ON DEVELOPMENT AND FOOD SECURITY

The Department continued to work closely with the Multilateral Development Banks (MDBs) to ensure that they are engaged in regions and countries that are vital to U.S. interests. In the past year, the Department has been intensively engaged with MDBs to ensure a rapid and robust response to the historic changes associated with the Arab Spring. The mobilization of World Bank and African Development Bank resources and programming for Egypt, Tunisia, and elsewhere in the region demonstrated the tremendous and timely leverage and expertise that these institutions are able to provide.

Treasury also plays an important role in addressing global food insecurity through its leadership in the Global Agriculture and Food Security Program ([GAFSP](#))—a multi-donor trust fund called for by G-20 leaders with the goal of helping accelerate progress towards halving the proportion of people living in extreme poverty and suffering from hunger by 2015. Treasury is currently the Chair of GAFSP's Steering Committee.



*Secretary Geithner and Vice Premier Wang after signing the U.S.-China Comprehensive Framework for Promoting Strong, Sustainable and Balanced Growth and Economic Cooperation.*

## DELIVERED FINANCIAL TECHNICAL ASSISTANCE TO U.S. FOREIGN POLICY PRIORITY COUNTRIES

In fiscal year 2011, Treasury's Office of Technical Assistance worked across five continents and delivered 115 separate technical assistance projects to 51 countries to help finance ministries and central banks of developing countries, such as Guatemala, Kenya, Paraguay, and Zambia, and recovering countries, such as Afghanistan, Haiti, and Iraq, strengthen their capacity to manage public finances. Treasury project assistance stimulates economic growth, builds institutional capacity of governments to establish and maintain stable and effective financial institutions, develops better policies and public services to serve citizens, provides a stronger basis for U.S. trade and commerce, enhances capacity to address national and international financial crime, and fosters U.S. partnerships overseas to promote security and mutual economic interests.

***By working with our international partners we can strengthen our growth and we can accomplish more – at home and around the world.***

*-Lael Brainard, Under Secretary for International Affairs*

## PREVENTED TERRORISM AND PROMOTED THE NATION'S SECURITY THROUGH STRENGTHENED INTERNATIONAL FINANCIAL SYSTEMS

Treasury continued to play a unique role in preserving national security by leveraging financial intelligence, law enforcement, sanctions, regulatory, and diplomatic tools. Treasury's Office of Terrorism and Financial Intelligence (TFI) worked to keep U.S. and international financial systems accessible to legitimate users while also disrupting the financial networks of terrorists, drug traffickers, and weapons of mass destruction proliferators. TFI includes the Office of Terrorist Financing and Financial Crimes, the Office of Foreign Assets Control (OFAC), the Office of Intelligence Analysis, the Treasury Executive Office for Asset Forfeiture (TEOAF), and the Financial Crimes Enforcement Network (FinCEN).

## DISRUPTED MONEY LAUNDERING EFFORTS AND DRUG TRAFFICKING IN MEXICO

In collaboration with U.S. and Mexican counterparts, TFI disrupted and exposed Mexican drug cartels and their money laundering networks using designations authorized by the Foreign Narcotics Kingpin Designation Act. TFI provided investigative training to Mexican law enforcement counterparts and expanded critical information sharing and collaborative investigative work between Mexican and U.S. law enforcement agencies. TFI's efforts enhanced the ability of Mexican law enforcement to expose, isolate, disrupt, and incapacitate drug traffickers' financial infrastructure and commercial operations.

## EMPLOYED SANCTIONS AND INTELLIGENCE ANALYSIS TO COMBAT ILLICIT FINANCE AND NATIONAL SECURITY THREATS

TFI currently administers and enforces 33 major economic and trade sanctions programs based on U.S. foreign policy and national security goals. OFAC, under Executive Order 13382, continued to target individuals and entities facilitating Iranian proliferation activity. OFAC developed and increased the number and variety of sanction designations and property identifications in Iran related sanction programs. Additionally, a fiscal year 2010 Executive Order enabled Treasury to target sanctions on individuals and entities engaging with North Korea or North Korean entities in arms trafficking, procurement of luxury goods, and illicit finance activities.



*Under Secretary Cohen delivering remarks at Treasury's Counter-Terrorist Financing Symposium.*

## COLLECTED MAJOR ASSET FORFEITURES

The Treasury Forfeiture Fund, administered by TEOAF, collected \$868 million in forfeiture revenue during fiscal year 2011. The Fund's major forfeitures in fiscal year 2011 can be attributed to cases pursued by the IRS's Criminal Investigation division. Deutsche Bank forfeited \$404 million and paid an additional \$149 million penalty for running fraudulent tax shelters that allowed clients to avoid paying billions of dollars in U.S. taxes. Barclays Bank PLC agreed to forfeit \$149 million to the Department of Justice (DOJ) Assets Forfeiture Fund and \$149 million to the New York County District Attorney's Office for violations of the International Emergency Economic Powers Act and the Trading with the Enemy Act.

***Our efforts are paying off. Iran is now facing unprecedented levels of financial and commercial isolation. The number and quality of foreign banks willing to transact with designated Iranian financial institutions has dropped precipitously over the last year.***

*-David Cohen, Under Secretary for Terrorism and Financial Intelligence*

## SUPPORTED HEALTH CARE FRAUD CASES WITH BANK SECRECY ACT (BSA) DATA AND ANALYSIS

FinCEN worked closely with the DOJ and the HHS Health Care Fraud Prevention and Enforcement Action Team (HEAT) to identify complex large-scale fraud schemes. FinCEN also identified sophisticated and complex criminal organizations and individuals participating in health care fraud. FinCEN contributed to over a dozen DOJ cases, which resulted in a takedown of \$295 million of false Medicare billings.

## MANAGEMENT AND ORGANIZATIONAL EXCELLENCE

The Department of the Treasury is committed to achieving management and organizational excellence. The Department demonstrates prudent management of taxpayer resources through its paperless initiatives, information technology (IT) cloud and consolidation initiatives, procurement savings and high risk contracts reductions, environmental achievements, and other savings initiatives. In addition, Treasury strives to achieve organizational excellence by improving Human Capital management and performance.

### REDUCED PAPER PROCESSES

#### Paid Benefits Electronically

As of May 1, 2011, newly enrolled federal beneficiaries and retirees were required to receive payments electronically. By March 1, 2013, existing beneficiaries and retirees who were receiving payment by check prior to May 1, 2011, will also be required to receive payments electronically. The increased use of electronic funds transfer to deliver federal payments will continue to improve service to payment recipients and reduce government program costs by minimizing the costs associated with postage and the re-issuance of lost or stolen checks.



*A woman using her Direct Express card to access federal benefits.*

#### Collected Government Receipts Electronically

The Financial Management Service (FMS) encourages businesses and individuals to pay their taxes through the Electronic Federal Tax Payment System (EFTPS). To date, FMS has collected more than \$3.06 trillion, with 96 percent of those funds received electronically. Effective January 1, 2011, businesses with quarterly tax payments greater than \$2,500 that previously used paper Federal Tax Deposit coupons must make deposits through EFTPS. In fiscal year 2011, EFTPS processed nearly 130 million payments, an increase of more than 19 percent in transaction volume from the previous year. This initiative eliminated the processing of approximately 20 million paper coupons annually, and reduces errors associated with processing paper coupons.

Another important program that promotes the use of electronic transactions to collect revenues needed to operate the Federal

Government is Pay.gov, an innovative system that allows individuals and businesses to make non-tax payments to federal agencies over the internet. Pay.gov has been implemented with 160 federal agencies representing 770 cash flows, and collected over \$87 billion and processed over 76 million transactions in fiscal year 2011.

#### Eliminated New Issues of Paper Savings Bonds to Save Taxpayer Dollars

In fiscal year 2011, the Bureau of the Public Debt (BPD) ended the sale of paper payroll savings bonds and announced it will stop issuing paper savings bonds sold over-the-counter at financial institutions by December 31, 2011. The web-based TreasuryDirect portal will become the primary retail system for investors to buy savings bonds and marketable securities and conduct business electronically. The initiative will produce savings on agent fees, postage, printing, and a reduction in the number of customer service transactions.

***We have a responsibility to improve the way the Treasury Department operates at a fundamental level. How can we meet our mission more efficiently? How can we do this in a way that's more effective and more customer-friendly? Paper is kind of a proxy for inefficiency.***

*-Dan Tangherlini, Assistant Secretary for Management and CFO*

### CONSOLIDATED IT SERVICES

In fiscal year 2011, Treasury worked to save on IT costs by switching from a traditional hosting environment to a cloud environment in which computing resources are accessed through shared resources. By moving to a cloud environment, BEP estimates it will save over 50 percent in operating and maintenance costs while also automating processes for manufacturing, financial management, acquisition, and supply chains.

### REALIZED PROCUREMENT SAVINGS AND REDUCED HIGH-RISK CONTRACTS.

The Department exceeded its fiscal year 2011 goals for acquisition-related savings mandated by the Office of Management and Budget, and realized a 21 percent aggregate reduction in high-risk contract obligations. Overall, in fiscal year 2011, Treasury achieved \$325.9 million in acquisition savings.



## ENVIRONMENTAL ACHIEVEMENTS

Treasury established a Department-wide priority to improve energy efficiency and reduce greenhouse gas emissions. In addition to the reduced energy and paper consumption from the paperless initiatives, Treasury saves energy by improving data center energy efficiency, completing energy efficiency upgrades, and increasing space utilization. Other examples include improved energy emissions control over the currency printing process at BEP; implementing water reuse strategies at the Mint; and converting the water heating system from steam to electric at the Main Treasury complex.

## IMPLEMENTED INTERNET PAYMENT PLATFORM

Treasury issued a mandate requiring all bureaus and offices to adopt the use of the Internet Payment Platform (IPP), a centralized web portal for vendors to submit invoices and request payments, by September 30, 2012. The Department will also require commercial vendors to submit their invoices using IPP. Adoption of IPP is projected to reduce the cost of entering invoices and responding to invoice inquiries by as much as 50 percent, roughly \$7 million annually for the Treasury Department. IPP will eliminate the need to manually input, file, and store paper invoices; shift the responsibility for invoice entry to the vendor; and reduce the time required to answer payment status questions. The IPP initiative is estimated to produce approximately \$450 million in government-wide savings annually.

## STRENGTHENED ORGANIZATIONAL EXCELLENCE

Treasury seeks to create an organization with exemplary leadership; innovative and collaborative processes; sustainable operations; and a culture of excellence, integrity, and teamwork. Accordingly, Treasury continually strives to improve Human Capital performance by focusing on hiring the best talent; engaging the workforce; expecting the best from employees; and striving to be the best place to work in the Federal Government.

During fiscal year 2011, the Department of the Treasury deployed resources to successfully stand up several new organizations, as provided by the Dodd-Frank Act. Treasury Human Resources (HR) staff quickly benchmarked other financial regulatory organizations, and worked in concert with program staff and the Office of Personnel Management to develop and establish interim hiring, classification, compensation, and benefits policies and systems for the new organizations. In addition, the HR staff began the recruitment and hiring to staff these new organizations, in order to meet the mandates of the new legislation.

## FINANCIAL OVERVIEW

### Total Treasury Assets (In Billions)

(Includes receivable to pay Federal Debt)

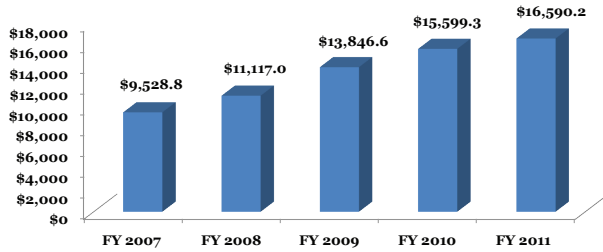


Figure 4

### Total Treasury Liabilities (In Billions)

(Includes liability for Federal Debt and Interest Payable)

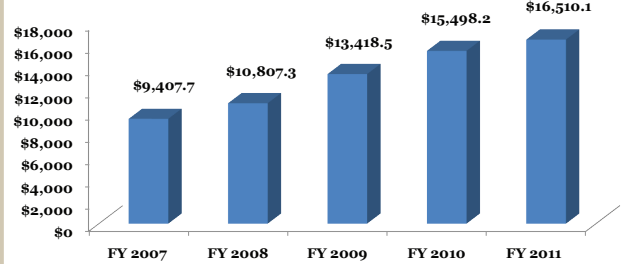


Figure 5

### Net Cost of Treasury Operations (In Billions)

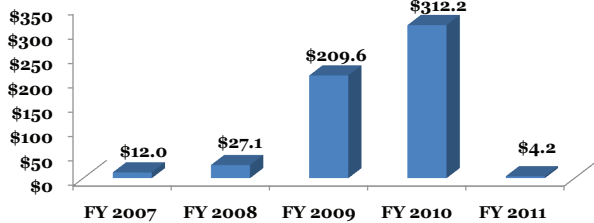


Figure 6

### Net Federal Debt Interest Costs (In Billions)

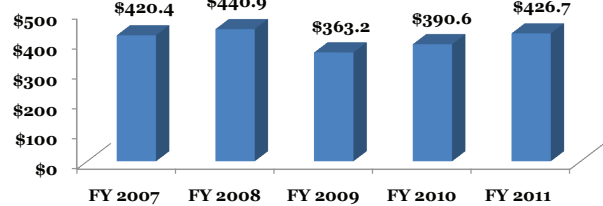


Figure 7

### Total Budgetary Resources (In Billions)

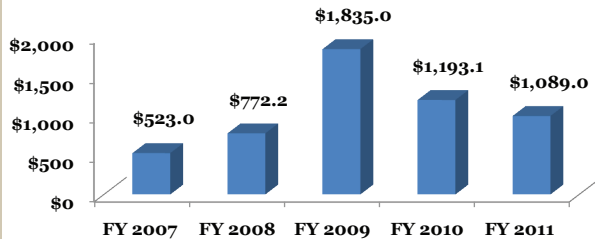


Figure 8

### Net Outlays (In Billions)

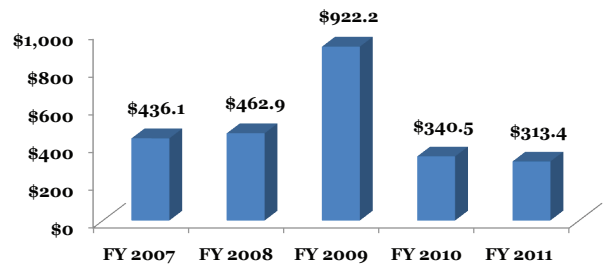


Figure 9

### Net Cash Revenue Received (In Trillions)

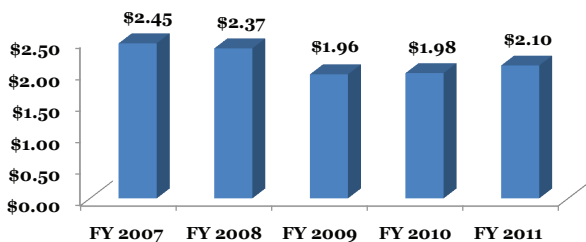


Figure 10

**Total Assets.** Total assets increased from \$15.6 trillion at September 30, 2010, to \$16.6 trillion at September 30, 2011 (Figure 4). The nearly \$1 trillion increase in 2011 is due to the rise in the federal debt, which causes a corresponding rise in the “Due from the General Fund of the U.S. Government” account (\$14.9 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. Included in “Intra-governmental” assets (Figure 11) are loans and interest receivable (\$728.7 billion in 2011), the majority of which are loans issued by the BPD to other federal agencies for their own use or to private sector borrowers, whose loans are guaranteed by the federal agencies.

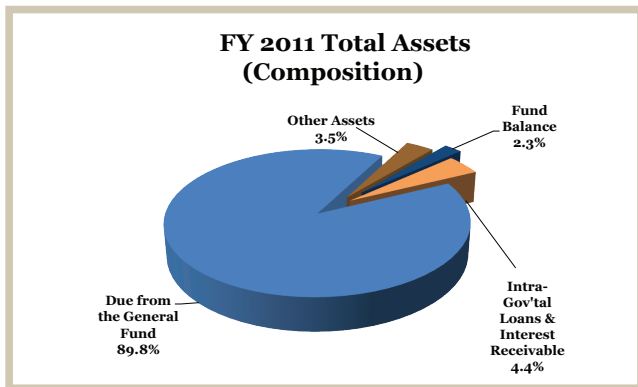


Figure 11

**Total Liabilities.** Liabilities principally include federal debt held by the public, including interest, of \$10.1 trillion which were mainly issued as Treasury Notes. Liabilities also include intra-governmental liabilities totaling \$6.0 trillion, of which \$4.7 trillion represents principal and interest payable to various federal agencies, such as the Social Security Administration Trust Fund (Figure 12). The \$1.0 trillion increase in total liabilities in fiscal year 2011 over 2010 (Figure 5) is the result of increased federal debt held by the public, including interest, needed to finance budget deficits.

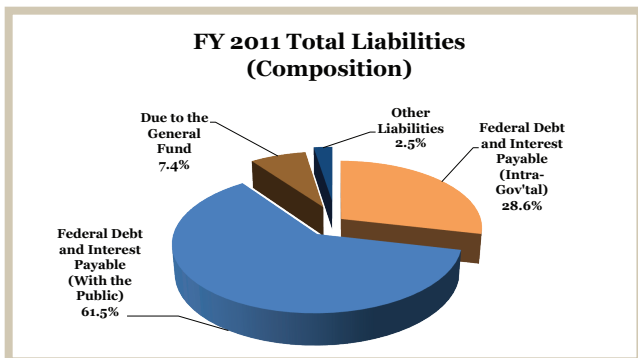


Figure 12

**Net Cost of Treasury Operations.** The Consolidated Statements of Net Cost present the Department’s gross and net costs by strategic programs which fall into four main categories: financial, economic, security, and management. The net cost associated with financial and economic programs

together accounted for almost 75 percent of the Department’s total consolidated net cost of \$4.2 billion for fiscal year 2011 (Figure 6). The net cost of financial programs of \$13.0 billion for 2011 was partially offset by economic programs which generated net revenue of \$9.9 billion. The \$13.0 billion of financial program net costs remained relatively unchanged from the prior year, and primarily reflect Treasury’s role as the primary fiscal agent for managing the nation’s finances by collecting revenue and making federal payments.

Economic programs generated net revenue of \$9.9 billion in fiscal year 2011 compared to a net cost of \$297.2 billion in 2010, a change of \$307.1 billion, primarily driven by the GSE Senior Preferred Stock Purchase Agreement (SPSPA) program.

**Net Federal Costs and Net Federal Debt Interest Costs.** The majority of these costs is the interest expense on the federal debt. The increase of \$36.1 billion in net interest paid on the federal debt is due to the increase in the debt (Figure 7).

**Total Budgetary Resources.** The majority of the net \$104.1 billion decrease for fiscal year 2011 (Figure 8) was related to the TARP and GSEs. TARP had a significant decrease of \$33 billion resulting from the Dodd-Frank Act that capped TARP at \$475 billion. Additionally, the budgetary resources required in fiscal year 2011 for the GSE Mortgage Backed Securities and Housing Finance Agency Initiative program decreased by \$54 billion and \$27 billion, respectively, due to the expiration of the program authority under the Housing and Economic Recovery Act of 2008 in fiscal year 2010. With the expiration of that authority, new purchases ended and the need for borrowing authority reduced significantly.

**Net Outlays.** The majority of the \$27.2 billion decrease in net outlays was due to fewer TARP equity and loan disbursements coupled with continued collections from repayments for the TARP investments and loans. In addition, there were fewer GSE SPSPA draw disbursements in fiscal year 2011 than in fiscal year 2010 (Figure 9).

**Custodial Revenue.** Net revenue received on behalf of the U.S. Government increased by \$128.9 billion for fiscal year 2011 (Figure 10). This increase can be attributed mainly to an overall improvement in individual tax collections. Total net revenue collected by Treasury on behalf of the U.S. Government includes various taxes, primarily income taxes, user fees, fines and penalties, and other revenue. Approximately 99 percent of the revenues are from income and social security taxes.

## CONDENSED FINANCIAL STATEMENTS

CONDENSED BALANCE SHEETS (in millions):	2011	2010
Due From the General Fund	\$ 14,902,717	\$ 13,655,637
Other Intra-governmental Assets	1,154,355	1,025,169
Cash, Foreign Currency, and Other Monetary Assets	117,121	372,434
Gold and Silver Reserves	11,062	11,062
TARP Credit Program Receivables, Net	80,104	144,692
Investments in Government Sponsored Enterprises	133,043	109,216
Non-TARP Investments in American International Group, Inc.	10,862	20,805
Reserve Position in the International Monetary Fund	20,682	12,938
Credit Program Receivables, Net	92,820	186,396
Taxes, Interest and Other Receivables, Net	36,690	36,976
Other Assets	30,770	23,932
<b>Total Assets</b>	<b>\$ 16,590,226</b>	<b>\$ 15,599,257</b>
Federal Debt and Interest Payable	\$ 14,869,128	\$ 13,623,731
Other Intra-governmental Liabilities	1,235,467	1,424,976
Liabilities to Government Sponsored Enterprises	316,230	359,900
Other Liabilities	89,263	89,554
<b>Total Liabilities</b>	<b>16,510,088</b>	<b>15,498,161</b>
Unexpended Appropriations	342,978	400,557
Cumulative Results of Operations	(262,840)	(299,461)
<b>Total Net Position</b>	<b>80,138</b>	<b>101,096</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 16,590,226</b>	<b>\$ 15,599,257</b>
CONDENSED STATEMENTS OF CHANGES IN NET POSITION (in millions):	2011	2010
Beginning Balance	\$ (299,461)	\$ (27,088)
Budgetary Financing Sources	553,644	503,042
Other Financing Sources (Uses)	(112,868)	(116,574)
<b>Total Financing Sources</b>	<b>440,776</b>	<b>386,468</b>
Net Cost of Operations	(404,155)	(658,841)
<b>Net Change</b>	<b>36,621</b>	<b>(272,373)</b>
<b>Cumulative Results of Operations</b>	<b>\$ (262,840)</b>	<b>\$ (299,461)</b>
Beginning Balance	\$ 400,557	\$ 455,144
Appropriations Received	498,723	456,970
Appropriations Used	(548,129)	(502,439)
Other	(8,173)	(9,118)
<b>Total Budgetary Financing Sources</b>	<b>(57,579)</b>	<b>(54,587)</b>
<b>Total Unexpended Appropriations</b>	<b>342,978</b>	<b>400,557</b>
<b>Net Position - Year End</b>	<b>\$ 80,138</b>	<b>\$ 101,096</b>
CONDENSED STATEMENTS OF NET COST (in millions):	2011	2010
Net Financial Program Cost	\$ 13,038	\$ 13,243
Net Economic Program (Revenue)/Cost	(9,937)	297,234
Net Security Program Cost	355	340
Net Management Program Cost	516	526
<b>Total Program Cost before Assumption Changes</b>	<b>3,972</b>	<b>311,343</b>
(Gains)/Losses Due To Changes in Actuarial Assumptions	195	820
<b>Total Net Cost of Treasury Operations</b>	<b>\$ 4,167</b>	<b>\$ 312,163</b>
<b>Total Net Non-Entity Costs (primarily interest on the Federal Debt)</b>	<b>\$ 399,988</b>	<b>\$ 346,678</b>

CONDENSED STATEMENTS OF BUDGETARY RESOURCES (in millions):	2011	2010
Unobligated Balances, Brought Forward	\$ 372,243	\$ 457,588
Recoveries of Prior Year Obligations	16,729	42,349
Budget Authority	966,659	929,687
Other Budget Authority	(266,630)	(236,543)
Total Budgetary Resources	\$ 1,089,001	\$ 1,193,081
Obligations Incurred	\$ 720,047	\$ 820,838
Unobligated Balance	270,786	301,811
Unobligated Balance, Not Available	98,168	70,432
Total Status of Budgetary Resources	\$ 1,089,001	\$ 1,193,081
Total Unpaid Obligated Balances, Net	\$ 208,189	\$ 158,323
Obligations Incurred, Net	720,047	820,838
Gross Outlays	(663,362)	(733,710)
Recoveries of Prior Year Unpaid Obligations, Actual	(16,729)	(42,349)
Changes in Uncollected Customer Payments Federal	22,838	5,087
Total Unpaid Obligated Balance, Net, End of Year	\$ 270,983	\$ 208,189
Net Outlays	\$ 313,354	\$ 340,510

CONDENSED STATEMENTS OF CUSTODIAL ACTIVITY (in millions):	2011	2010
Individual and FICA Taxes	\$ 2,102,030	\$ 1,988,760
Corporate Income Taxes	242,848	277,937
Other Revenues	176,595	179,613
Total Revenue Received	2,521,473	2,446,310
Less Refunds	(416,221)	(469,937)
Net Revenue Received	2,105,252	1,976,373
Non-Cash Accrual Adjustment	(150)	6,539
Non-TARP Investments in American International Group, Inc.:		
Cash Proceeds from Sale of Stock	1,973	-
Non-Cash Market Adjustments	(9,944)	(2,666)
Total Custodial Revenue	2,097,131	1,980,246
Disposition of Custodial Revenue:		
Amounts Provided to Fund Non-Federal Entities	462	387
Amounts Provided to Fund the Federal Government	2,104,790	1,975,986
Non-Cash Accrual Adjustment	(150)	6,539
Non-TARP Investments in American International Group, Inc.:		
Cash Proceeds from Sale of Stock	1,973	-
Non-Cash Market Adjustments	(9,944)	(2,666)
Total Disposition of Custodial Revenue	2,097,131	1,980,246
Net Custodial Revenue Activity	\$ -	\$ -

## HIGHLIGHTS OF MANAGEMENT AND PERFORMANCE CHALLENGES

Annually, in accordance with the *Reports Consolidation Act of 2000*, Treasury's Office of the Inspector General (OIG) and the Treasury Inspector General for Tax Administration (TIGTA) identify the most significant management and performance challenges facing the Department. 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 2011, and will continue to focus on resolving them during fiscal year 2012 and beyond. Note: the Special Inspector General for TARP does not provide the Secretary with an annual report on management and performance challenges.

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

- Transformation of Financial Regulation
- Management of Treasury's Authorities Intended to Support and Improve the Economy
- Anti-Money Laundering and Terrorist Financing/Bank Secrecy Act Enforcement
- Management of Capital Investments

### IRS MANAGEMENT CHALLENGES – AS IDENTIFIED BY TIGTA

- Security for Taxpayer Data and Employees
- Tax Compliance Initiatives
- Modernization
- Implementing Major Tax Law Changes
- Fraudulent Claims and Improper Payments
- Providing Quality Taxpayer Service Operations
- Human Capital
- Globalization
- Taxpayer Protection and Rights
- Achieving Program Efficiencies and Cost Savings

## WEBSITE INFORMATION

Treasury On-line	<a href="http://www.treasury.gov">www.treasury.gov</a>
Treasury Performance and Accountability Reports	<a href="http://www.treasury.gov/about/budget-performance/annual-performance-plan/Pages/default.aspx">www.treasury.gov/about/budget-performance/annual-performance-plan/Pages/default.aspx</a>
Alcohol and Tobacco Tax and Trade Bureau	<a href="http://www.ttb.gov">www.ttb.gov</a>
Community Development Financial Institutions Fund	<a href="http://www.cdfifund.gov">www.cdfifund.gov</a>
Comptroller of the Currency	<a href="http://www.occ.treas.gov">www.occ.treas.gov</a>
Bureau of Engraving & Printing	<a href="http://www.bep.treas.gov">www.bep.treas.gov</a>
Financial Crimes Enforcement Network	<a href="http://www.fincen.gov">www.fincen.gov</a>
Financial Management Service	<a href="http://www.fms.treas.gov">www.fms.treas.gov</a>
Internal Revenue Service	<a href="http://www.irs.gov">www.irs.gov</a>
U.S. Mint	<a href="http://www.usmint.gov">www.usmint.gov</a>
Bureau of Public Debt	<a href="http://www.publicdebt.treas.gov">www.publicdebt.treas.gov</a>
The Financial Stability Plan	<a href="http://www.financialstability.gov">www.financialstability.gov</a>
Help for America's Homeowners	<a href="http://www.makinghomeaffordable.gov">www.makinghomeaffordable.gov</a>
Recovery Act Spending	<a href="http://www.recovery.gov">www.recovery.gov</a>



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