HIGHLIGHTS OF FY 2002 PERFORMANCE

Treasury continued to work toward achieving its strategic goals and improving service to the American public. The following summarizes Treasury's efforts in accomplishing the FY 2002 performance objectives, both successes and continuing challenges. More detailed information on Treasury's performance can be found in Treasury's FY 2002 Performance and Accountability Report.

Economic Mission: Promote Prosperous and Stable American and World Economies

Stimulating Economic Growth. In the domestic economic arena, Treasury contributed to growth enhancing policies through analysis and proposals for tax-relief and other stimulus measures. Real Growth Domestic Products (GDP) grew 3 percent over the past year. This growth was achieved in spite of effects of the terrorist attacks and, in large part, due to the passage of tax relief in the spring of 2001. In March 2002, additional stimulus measures were passed designed to boost employment and capital spending.

Responding to Terrorist Attacks -- Terrorist Insurance. Given the on-going threat of terrorist attacks, the inability to obtain adequate insurance brought many building plans to a halt. Treasury led the Administration's efforts in crafting and negotiating the terrorism risk insurance components of the Terrorism Insurance Bill, the passage of which was a major goal of the Administration. Under the enacted Terrorism Risk Insurance Act of 2002, Treasury will play a lead role as the administrator of the terrorism risk insurance program, including issuing implementing regulations, calculating and making Federal payments, recouping amounts as required and conducting certain insurance industry studies.

Economic Development Abroad. President Bush launched a new development initiative, the Millennium Challenge Account (MCA) in March 2002, to substantially increase U.S. development assistance beginning in FY 2004. Treasury worked with other agencies to design an efficient and effective administrative structure for the MCA, creating a logical process by which specific projects and/or programs will be selected, and identify objective criteria to measure progress. The goal of the MCA is to reward sound policy decisions that support economic growth and reduce poverty.

Financial Mission: Manage the Government's Finances

Tax Collection. The following summarizes IRS' FY 2002 performance.

- ***Pre-Filing Programs***. IRS is focusing on how to better assist taxpayers in understanding their tax obligations. Significant progress in this area will lead to reduced filing errors and increased productivity in downstream tax administration processes. Although IRS only met 33 percent of its targets for FY 2002, 67 percent of the indicators exceeded FY 2001 performance levels.

- ***Filing Programs***. Overall, 43 percent of the indicators met FY 2002 targets, and 71 percent exceeded FY 2001 performance. IRS' aggressive marketing program enabled electronic-filing performance to continue to exceed goal, and IRS projects continued progress in 2003 and beyond as the agency works towards 80 percent electronic-filing by 2007. Demand for toll free phone services increased dramatically due to several new tax programs. While the level of service did not meet the target in FY 2002, service was up from 2001. Quality of service improved significantly as a result of improved call routing and employee training.

- ***Post-Filing (Compliance Programs)***. Although 50 percent of indicators in this area met FY 2002, 57 percent of their performance targets exceeded FY 2001 levels. Enforcement revenue increased over 2001 for an annual total of $33.9 billion. Performance targets were missed in Automated Collection Site (ACS) programs. Contributing to the lower performance levels were: (1) the suspension of some activities to ensure proper treatment of taxpayers affected by the September 11, 2001, terrorist attacks, and (2) an unexpected increase in non-ACS telephone calls, diverting resources from Automated Call Collection work.

Issuing Payments. As an essential part of the U.S. economy, Treasury issued approximately 920 million payments to more than 100 million individuals and businesses, totaling over $1.2 trillion. Whether recipients of Social Security or Veterans' benefits, income tax refunds, vendor payments, annuities, or salaries, making payments to American citizens accurately and on time is of considerable financial importance. Treasury's payments were on time and accurate 100 percent of the time.

Non-Tax Delinquent Debt. As a result of continued improvement in FMS' Debt Management Program, collections of non-tax delinquent debt again exceeded Treasury performance goals. For FY 2002, the target for collecting delinquent debt was $2.6 billion. FMS achieved collections of more than $2.8 billion.

Government's Cash Management. The Government's cash position, budget surplus, and deficit information were reported on schedule and accurately 100 percent of the time in the key Treasury publications. For the fifth consecutive year, the Financial Report of the U.S. Government, including the Government's consolidated financial statements was issued on time, although it continued to receive a disclaimer of opinion.

Cash and Debt Management. Treasury developed a comprehensive contingency plan for cash and debt management business processes to provide current and timely cash and debt position information to key Treasury officials during a crisis situation. This plan includes the establishment of a real-time back-up site and the creation of a delegation of authority covering cash and debt management functions in the event key personnel are unable to perform them.

Law Enforcement Mission: Safeguard Our Financial Systems, Protect Our Nation's Leaders, and Secure a Safe and Drug-Free America

Homeland Security Legislation. Treasury assisted in developing the proposal to create a new Cabinet-level Department of Homeland Security. Included in the President's plan was a transfer of the U.S. Customs Service and U.S. Secret Service to the new Department. Subsequent legislation also includes the transfer of the Federal Law Enforcement Training Center to the new Department and the law enforcement portion of the Bureau of Alcohol, Tobacco and Firearms to the Department of Justice.

Global Efforts to Combat Terrorist Financing. At the direction of the President, Treasury launched the financial front in the war on terrorism and took the lead in global efforts to combat the financing of terrorism. Treasury successfully pursued international cooperation to combat terrorist financing on a global scale, working multilaterally with the G-7, the G-8, the G-20, the international financial institutions, and the Financial Action Task Force under the Organization for Economic Cooperation and Development. Treasury also worked bilaterally with individual countries to block the financing of terrorist networks, freeze terrorist assets, and criminalize the collection of funds for terrorism. Treasury established a task force on terrorist financing to keep track, account-by-account, dollar-by-dollar, of all countries' efforts. Treasury also reached out to foreign governments allied in the war on terrorism to provide assistance to identify and immobilize terrorist assets pursuant to United Nations directives.

Operation Greenquest. This operation is a multi-agency, Customs-led Treasury initiative designed to stamp out terrorist funding by identifying, disrupting, and dismantling the financial systems and infrastructures that terrorist organizations use to fund their work. In FY 2002, Greenquest initiated 859 financial investigations involving suspected terrorist financing and referred 1,109 leads on potential terrorist financial activities to domestic and foreign offices. The Operation's financial investigations resulted in 47 arrests, 28 indictments, and the seizure of $7.3 million. Operation Oasis, a Customs outbound bulk currency initiative coordinated by Operation Greenquest, has resulted in total seizures of $18.6 million worth of smuggled currency and monetary instruments resulting in 397 seizures.

Economic Sanctions. After September 11, 2002, the role of Treasury's Office of Foreign Assets and Control (OFAC) in fighting terrorist financing expanded greatly through the issuance of Executive Order (E.O.) 13224, which broadened the scope of previously existing OFAC authority with respect to supporters of terrorism, and the passage of the USA PATRIOT Act (PATRIOT Act), which substantially enhanced the usefulness of classified material and provided a wide array of other enforcement tools. These programs prohibit transactions by persons subject to U.S. jurisdiction with, and block the property of, targeted governments and listed entities and individuals. A total of 243 entities and individuals have been designated under E.O. 13224 since it was signed on September 23, 2001.

Drug Interdiction. Increased enforcement efforts in Mexico and changes in smuggling patterns are but two factors likely to have been instrumental in cocaine and marijuana seizure levels being below FY 2002 projected levels. Initially, the heightened state of alert resulting from the September 11, 2001, terrorist attacks increased drug seizures at the border. This in turn however, may have forced changes in smuggling methodologies and trends. Customs enforcement efforts are both a catalyst in forcing that change and an end result toward meeting the challenge of the changing patterns.

Management Enabling Goal: Continue to Build a Strong Institution

Management Improvements. In managing our own resources, Treasury completed its first-ever *Human Capital Strategic Plan*, achieved an unqualified audit opinion for the third year in a row, reduced the number of material weaknesses by 31 percent, and improved management of capital investments.

Performance Management. The Department met 69 percent of its 203 quantifiable performance measures, exceeding our previous year's performance for or maximizing performance for 56 percent of the measures. The Performance Scorecard at the end of this section highlights results of several key performance indicators.

Financial Highlights. As with FY 2000 and FY 2001, Treasury received an unqualified audit opinion on its FY 2002 financial statements. In addition, the FY 2002 statements are being issued forty-five days after year-end, more than three months earlier than the FY 2001 statements. Furthermore, the overall improvements made in the financial reporting process have enabled bureau budget offices to provide timely monthly financial information to our management and meet the ongoing challenge of preparing quarterly and annual financial statements in a reasonable timeframe comparable to the private sector.

President's Management Agenda

Treasury aggressively pursued implementing the goals of the President's Management Agenda (PMA) and integrating those goals into the management of its operations during FY 2002. Below is a summary of activities to achieve those goals.

Strategic Management of Human Capital. Treasury's vision for managing its human capital is to retain a diverse, high-caliber workforce – a workforce that places the right employees in the right place at the right time to fulfill the Department's global mission efficiently and effectively. Accomplishments for FY 2002 toward this vision include:

- Development of the Department's Human Capital Strategic Plan in consultation with the bureaus. The Plan was recently implemented at the bureau level, and the Department held workshops to assist the bureaus gain a better understanding of the Plan's objectives.

- Establishment of four Human Capital Leadership Groups each comprised to increase the bureaus' involvement with Departmental Human Capital management. Leadership Groups assist one another in the planning and implementation process, share innovative ideas and best practices, and evaluate each others' progress in meeting the PMA objectives through a dissertation-style rating process.

Competitive Sourcing. Treasury's Competitive Sourcing team continues to provide support for IRS and other Treasury bureaus' competitive sourcing initiatives. Accomplishments for FY 2002 include:

- Holding two Government-wide competitive sourcing conferences attended by over 1,100 professionals. The second conference was the first conference addressing the link between competitive sourcing and human capital. Treasury also held a Department-wide conference providing an overview of the competitive sourcing process.

- Producing intellectual capital on competitive sourcing for the A-76 Institute and Performance Institute as well as writing articles published in *Federal Times*. Treasury provided consulting services and expertise to NASA, Department of Agriculture, Department of Transportation and State Department.

- Providing FMS, Mint, DO, Customs, ATF and IRS with consulting services on selected competitions. Through September 30, 2002, Treasury completed studies on 192 full time equivalents (FTEs) and commenced several full studies at IRS, Mint and the BEP.

Improved Financial Performance. Treasury's financial performance vision is for every financial management system to be in compliance with all Federal financial management systems requirements, providing timely, accurate, informative data for both day-to-day management and external reporting purposes. The Department will fulfill this vision by streamlining financial management practices, developing sound costing methodologies, and integrating financial data with performance data. Accomplishments for FY 2002 include:

- On time delivery of the Department's FY 2001 financial statements to OMB and Congress with an unqualified audit opinion, and on-time delivery of interim financial statements to OMB.

- Successful implementation of the 3-day close initiative during FY 2002. Each Treasury bureau is now able to close its books within 3 days after the close of each month and forward its summary financial data to the Department's data warehouse for consolidation and analysis.

- Reduced material weaknesses from 29 at the beginning of FY 2002 to 20 as of year-end. IRS has consolidated five closely related material weaknesses into one under "Modernization, Information Technology & Security (MITS) weakness. Similarly, FMS has combined three Government-wide Consolidated Financial Statements weaknesses into one. Both have obtained the concurrence from TIGTA and GAO, respectively.

Despite our accomplishments, we need to continue striving to correct our remaining material weaknesses, which prevent us from being in compliance with Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) and also with Federal Financial Management Improvement Act (FFMIA). We also have several instances of noncompliance with laws and regulations, as described in the Inspector General's in Part 3, which we are working to address.

The Department will continue to build upon its successes in data quality and timeliness and reduction of material weaknesses. Key areas of focus in FY 2003 will include integrating financial and performance data with the support of the CFO Council's Cost Accounting and Labor Distribution Committee, and improving levels of compliance with FFMIA, FMFIA and Government Information Security Reform Act (GISRA).

Expanded E-government. Treasury's E-government vision is to deploy and manage assets and services, which ease the burden on citizens, businesses and other government organizations conducting business with the Department. Accomplishments for FY 2002 include:

- Expanded Financial Management Services' Pay.gov collections initiative. The Department has entered into an agreement with OMB to make the Pay.gov authentication service available Government-wide.

- Launched a Web-based tax refund application.

- Agreed to establish free Internet tax filing for low-income citizens.

Budget and Performance Integration. Budget and performance integration is vital to Treasury's vision of providing high-quality products and services to citizens, businesses and other governmental organizations. Budget and performance integration also accelerates Treasury's progression to a world-class, citizen-centered, results-oriented organization. The Department will formulate and commit resources based on program performance, which improves the Department's delivery of services by making program performance information the foundation for Treasury's daily decision processes. Accomplishments for FY 2002 include:

- Formulation of Treasury's FY 2004 budget and performance plans that better aligned resources with Treasury's strategic priorities. The Department utilized a process of reviewing base resources, provided a well-defined process for program requests, and presented budget requests programmatically.

- Establishment of a Treasury CFO Council committee to address cost accounting and performance integration.

Program Assessment Rating Tool (PART)

In order to improve program performance goals for the FY 2004 budget and to identify areas in need of management attention, OMB created the Program Assessment Rating Tool (PART). The purpose of the PART is to measure and assess program performance; evaluate programs in a systematic, consistent and transparent manner; frame and inform agency and OMB decisions; focus program improvements, and measure progress. PART accomplishes this by utilizing a set of questions designed to assess program performance in four areas:

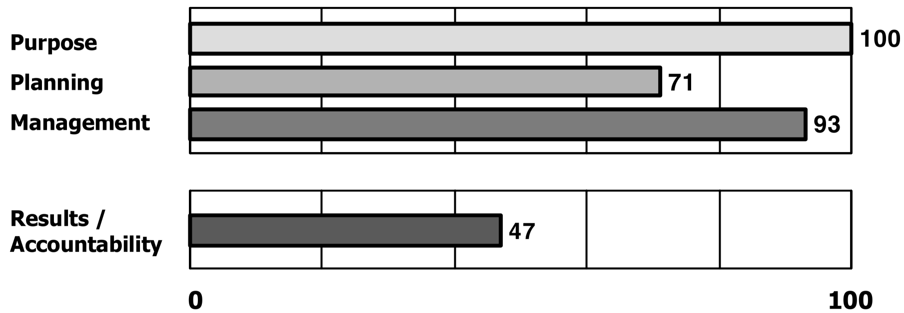
- ***Purpose*** – to assess whether the program design and purpose are clear and defendable.
- ***Strategic Planning*** – to assess whether the agency has set valid annual and long-term goals for the program.
- ***Program Management*** – to rate agency management of the program, including financial oversight and program improvement efforts.
- ***Program Results*** – to rate program performance on goals reviewed in the strategic planning section and through other evaluations.

OMB and Treasury evaluated 10 Treasury programs during FY 2002. Of the 10 programs, 3 were rated effective, 2 were rated adequate, 1 was rated ineffective and 4 were unable to demonstrate results. A summary of the results for each program is included in the pages that follow.

Program: *ATF Consumer Product Safety Activities*

Agency: *Department of the Treasury*

Bureau: *Bureau of Alcohol, Tobacco and Firearms*



☐ Results Achieved
☐ Results Not Demonstrated
☑ Measures Adequate
☐ New Measures Needed

Key Performance Measures	***Year***	***Target***	***Actual***
Long-term Measure: The percentage of Certificate of Label Approvals issued, by initiating electronic application and approval procedures (New measure for 2004)	2003	10%	
	2008	75%	
Long-term Measure: Measures under development			
Annual Measure: Measures under development			

Rating: *Adequate*

Program Type: *Regulatory*

Program Summary:

This program protects the public against contaminated alcohol products. It does this by verifying the content of alcohol products and evaluating the claims on the product labels. Under the provisions of the Homeland Security Act of 2002, the consumer product safety activities and alcohol and tobacco excise tax collections of the ATF are being removed from the ATF and established as the Alcohol and Tobacco Tax and Trade Bureau in the Department of the Treasury.

The program assessment indicates the overall purpose of the program is clear, and the program has demonstrated results based on its historical performance measures. However, the current measures do not sufficiently capture the impact of the program's performance on public safety.

In response to these findings the Alcohol and Tobacco Tax and Trade Bureau will:
1. Refine performance measures to more accurately reflect the goals and achievements of the program.
2. Establish clear guidelines and procedures to insure that goals are very specific. Establish written guidelines and supporting documentation for all aspects of the program.

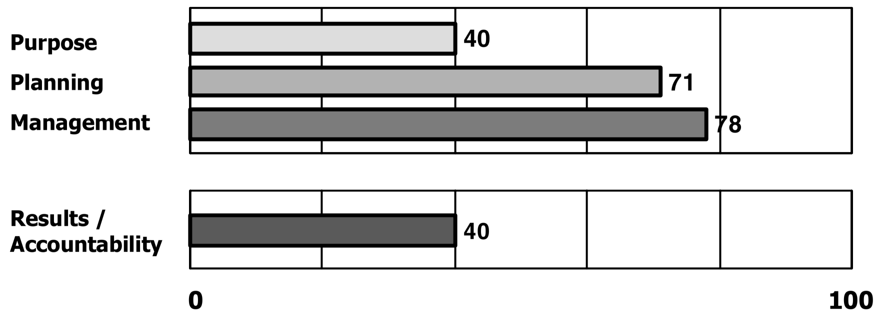
Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
21	23	23

Program: *Bank Enterprise Award*

Agency: *Department of the Treasury*

Bureau: *Departmental Offices*



- [ ] Results Achieved
- [x] Results Not Demonstrated
- [x] Measures Adequate
- [ ] New Measures Needed

Key Performance Measures	*Year*	*Target*	*Actual*
Long-term Measure: Jobs in underserved communities created or maintained by businesses financed by BEA Program applicants (New measure adopted in 2003)	2003	4,930	
	2004	4,930	
Long-term Measure: Commercial real-estate properties financed by BEA Program applicants that provide access to essential community products and services in underserved communities (New measure adopted in 2003)	2003	612	
	2004	612	
Annual Measure: Number of affordable housing units in underserved communities whose development or rehabilitation is financed by BEA Program applicants (New measure adopted in 2003)	2003	391	
	2004	391	

Rating: *Results Not Demonstrated*

Program Type: *Competitive Grants*

Program Summary:

The Bank Enterprise Awards (BEA) Program offers financial awards to banks that participate in community development activities. Such activities include supporting community development financial institutions, financing affordable housing and economic development projects, and the provision of financial services.

The assessment indicates that while there is some evidence that BEA awardees use awards to reinvest in community development initiatives, program results are hard to measure because it cannot be determined how awardees would behave in the absence of the program. Additional findings include:
1. The program purpose is clear, but design limitations hamper the program's effectiveness. Under the current structure, it cannot be determined if banks participate in community development activities because of regulatory requirements (under the Community Reinvestment Act) or because of the money provided by the awards program. Thus, the results of the program cannot be determined until the Fund collects additional data.
2. In the last year, the program has developed new outcome-oriented goals and has taken steps to collect additional data on program results. However, as the award is for past performance, there are no prospective performance requirements on how awardees spend award funds. This prevents the Fund from ensuring that program awardees commit to the long-term goals of the program.
3. The program is efficiently managed.

In response to these findings, the Budget proposes to:
1. Reduce the funding for the BEA until statutory changes to the authorizing legislation are made that would clearly distinguish this program from the mandates of the Community Reinvestment Act and would insure that award funds are spent on community development activities.

Program Funding Level (in millions of dollars)

2002 Actual	**2003 Estimate**	**2004 Estimate**
23	17	8

Program: *Coin Production*

Agency: *Department of the Treasury*

Bureau: *United States Mint*

☑ Results Achieved
☐ Results Not Demonstrated

☑ Measures Adequate
☐ New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Reduction in the controllable costs of circulating coinage from a 1997 baseline of $10.27 per 1000 coins Controllable costs exclude the costs of metals which vary considerably with market conditions. (Targets being refined)	2001		19%
	2005	15%	
Long-term Measure: Federal Reserve Board Customer Satisfaction survey (Average rating out of one hundred, based on surveys of Federal Reserve officials)	2001	85%	
	2002	85%	
Long-term Measure: Conversion costs per 1,000 coin equivalents This measures production cost efficiency.	2002	$11.00	$8.69
	2003	$10.25	
	2004	$9.75	

Rating: *Effective*

Program Type: *Direct Federal*

Program Summary:

The United States Mint makes coins for use as legal tender.

This assessment of the Mint found that the Mint has established performance measures focused on customer satisfaction and improving cost efficiencies. Additional findings include:
1. The Mint needs to improve customer satisfaction survey scores.
2. The Mint has shown some efficiency improvements in achieving reduced manufacturing costs (19 percent reduction since 1997).

The Mint is implementing a series of reforms to address these findings. These reforms include:
1. Reducing the maintenance down time of coin manufacturing machinery.
2. Competing customer service and order mailing staff to determine if contractors could handle these functions more efficiently.
3. Establishing a performance target to reduce the time required to process raw materials into finished goods.

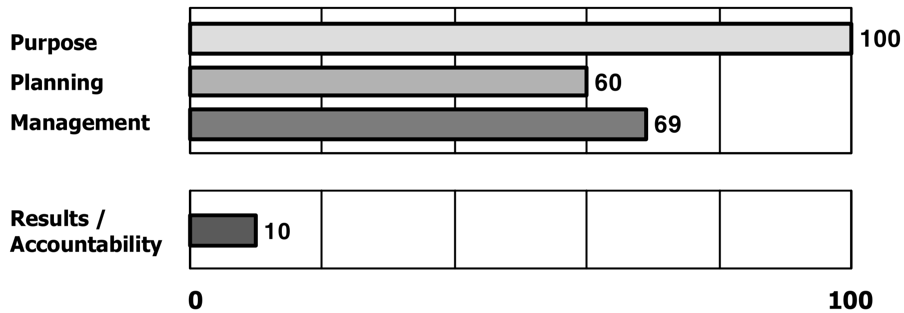
Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
827	946	971

Program: *Earned Income Tax Credit (EITC) Compliance*

Agency: *Department of the Treasury*

Bureau: *Internal Revenue Service*



☐ Results Achieved
☐ Results Not Demonstrated
☐ Measures Adequate
☑ New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Percent of EITC dollars paid that should not have been paid This means that more than one dollar in four paid under EITC should not have been paid. (Targets under development)	1997		24 to 26%
	1999		27 to 32%
Annual Measure: Revenue protected, i.e., dollars incorrectly claimed by taxpayers that IRS either did not pay or later recovered ($ in billions) (Targets under development)	2001		$1.169
Annual Measure: EITC returns audited	2001		453,947
	2002	413,331	437,799
	2003	349,000	
	2004	364,000	

Rating: *Ineffective*

Program Type: *Direct Federal*

Program Summary:

The Earned Income Tax Credit (EITC) Compliance Initiative is intended to reduce erroneous payments of the Earned Income Tax Credit. It is run by the Internal Revenue Service (IRS).

This assessment indicates the EITC compliance initiative has failed to reduce EITC erroneous payments to acceptable levels.
1. IRS has a strong planning process closely linked to its budget process, but it has not yet used this outcome information to set performance targets that allow it to demonstrate results.
2. While IRS prevents roughly $1 billion in erroneous EITC payments per year, annual data reveals that 27 to 32 percent of all EITC payments were still made in error in tax year 1999. The magnitude of this error rate compels a rating of "ineffective."
3. IRS has made numerous management improvements in recent years. However, its financial management systems remain weak.

Treasury formed a Task Force in the spring of 2002 to recommend solutions to the EITC high error rate. The Budget provides a $100 million increase for the following initiatives recommended by the Task Force to improve EITC compliance.
1. IRS will require high-risk EITC applicants to pre-certify that the children claimed on their return are really qualifying children under EITC. Incorrectly claimed qualifying children have been a major source of EITC error. High risk applicants will be identified through databases such as the Federal Case Registry (information on child custody) and by focusing on taxpayers with characteristics linked to high error rates in compliance studies (e.g., relatives other than parents who claim a child for EITC purposes).
2. IRS will delay refunds on returns deemed to be high risk for filing status or income errors while agents take action to resolve cases. High-risk returns will be identified by researching taxpayer historical compliance and by requiring new information on EITC returns.

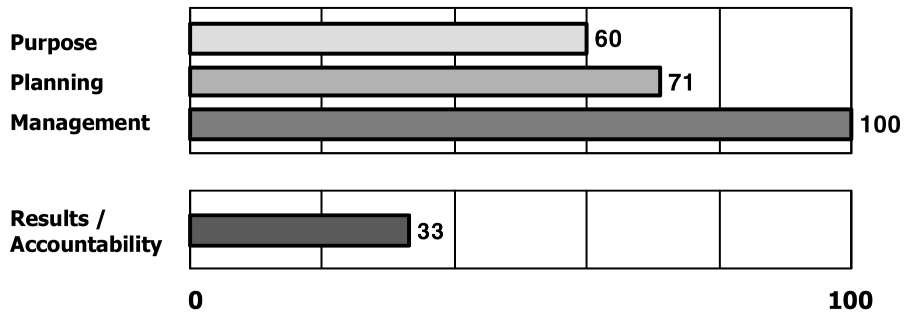
Note these initiatives will reduce EITC audits as resources are focused on correcting errors earlier in the process.

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
146	146	251

Program: *International Development Association*

Agency: *Department of the Treasury*
Bureau: *International Affairs*



☐ Results Achieved
☐ Results Not Demonstrated
☑ Measures Adequate
☐ New Measures Needed

Key Performance Measures	***Year***	***Target***	***Actual***
Long-term Measure: Universal primary education (Ensure that by 2015 children everywhere will be able to complete a full course of primary schooling)	2015	100%	
Annual Performance Measure: Measles immunization rate (New measure) Indicator of progress in health	2002		58%
	2004	60%	
Annual Performance/Efficiency Measure: Reduction in number of days required for business start-up (New measure) Indicator of progress in private sector development	2002		81
	2004	75	

Rating: *Adequate*

Program Type: *Block/Formula Grants*

Program Summary:

The International Development Association (IDA) is part of the World Bank. It provides both long-term zero-interest loans (so-called "concessional" lending) and grants to the poorest developing countries to finance investments in health, education, sanitation, and infrastructure.

The assessment primarily indicates that IDA lacks a system to measure, monitor, and evaluate overall results. Therefore, it is difficult to determine if IDA funding is having any measurable effect, and this difficulty is reflected in the Accountability/Results score. However, the recently concluded agreement to replenish the resources of IDA -- the IDA-13 replenishment agreement -- calls for the establishment of such a system. The agreement also identifies six pre-existing and widely-used indicators to serve as annual performance measures to track IDA's progress in health, education, and private sector development.

Additional findings include:
1. IDA is not the only provider of concessional lending. Other regional development banks have very similar programs.
2. The poorest developing countries should not borrow more money than they can afford to repay. IDA should provide more grants than it currently does.
3. The World Bank manages the IDA program well on a project-specific level. The successful establishment of the measurable results system will allow IDA to track its progress in meeting development objectives across the board.

In response to these findings:
1. By signing on to the IDA-13 replenishment agreement, the U.S. committed to provide $850 million annually for the next three year (2003 through 2005). The Administration is also requesting $27 million in 2004 to clear some of the $73 million in arrears that the U.S. owes IDA.
2. The Administration will request an additional $100 million for IDA in 2004 if IDA meets specific performance benchmarks and an additional $200 million for IDA in 2005 if IDA makes satisfactory progress in the areas of health, education, and private sector development.
3. The Administration will continue to press IDA and other donors to increase the amount of grants that IDA provides.

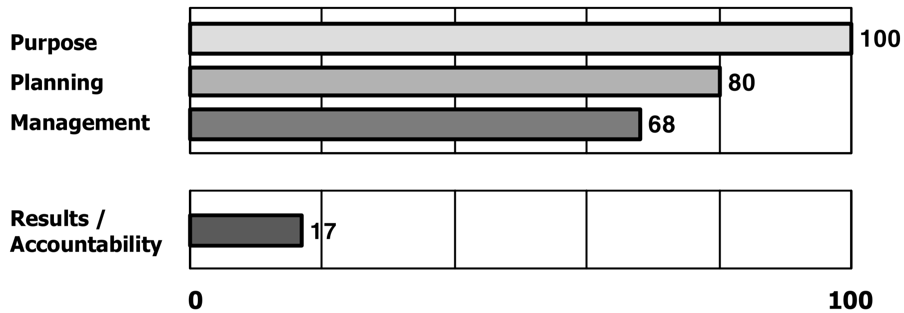
Program Funding Level (in millions of dollars)

2002 Actual	**2003 Estimate**	**2004 Estimate**
792	874	977

Program: *IRS Tax Collection*

Agency: *Department of the Treasury*

Bureau: *Internal Revenue Service*



☐ Results Achieved
☑ Results Not Demonstrated
☐ Measures Adequate
☑ New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Measure under development			
Annual Measure: Taxpayer Delinquent Accounts case closures (field cases) These are cases where taxpayers have not paid known tax debts.	2001	846,800	757,392
	2002	804,085	724,430
	2003	714,000	
	2004	769,000	
Annual Measure: Field Collection Quality (Percent of cases meeting strict standards for process and treatment of taxpayers)	2001	86%	84%
	2002	85%	84%
	2003	87%	
	2004	89%	

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Program Summary:

The Internal Revenue Service (IRS) Collection program collects known delinquent taxpayer liabilities (tax debts). This is distinct from IRS audits which determine how much a taxpayer owes. Collection agents contact taxpayers through notices, phone calls and personal visits to secure payments. If necessary, collection agents can use liens, levies or seizures, or refer taxpayers for criminal prosecution.

Tax revenue is necessary to finance government operations, and the Collection program is necessary to the success of tax enforcement. However, the assessment indicates that the Collection program needs improvements. Additional findings include:
1. Collection yields substantial revenue ($18 billion in 2001). However, IRS does not work enough collection cases with its current resources, work processes and technology to ensure fair tax enforcement. Each year IRS fails to work billions of dollars worth of collection cases.
2. IRS has made numerous management improvements in the last several years, including implementing good output measures. However, it's financial management systems remain weak.
3. IRS has a strong planning process closely linked to its budget process. However, it has not yet developed collection outcome measures or goals.

The Administration is working on several efforts to improve collection performance.
1. The Budget includes a legislative proposal to allow IRS to hire private collection contractors to secure payment in some cases. The legislation includes strong taxpayer rights protections. The contractors will be paid from receipts based on actual collections.
2. The Budget includes funding for 537 new collection employees.
3. Reengineering and technology modernization efforts are ongoing to introduce risk-based approaches to target specific taxpayers with the most effective collection procedure (i.e., notice, phone call, or field visit).

(For more information on this program, please see the Department of the Treasury chapter in the Budget volume.)

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
923	967	1,038

Program: *OCC Bank Supervision*

Agency: *Department of the Treasury*

Bureau: *Comptroller of the Currency*

- [x] Results Achieved
- [ ] Results Not Demonstrated
- [x] Measures Adequate
- [ ] New Measures Needed

Key Performance Measures	*Year*	*Target*	*Actual*
Long-term Measure: Percentage of National banks with high ratings according to industry standards (composite CAMELS rating of 1 or 2) (Performance measure was adopted in 2002)	2001	90%	94%
	2002	90%	95%
	2003	90%	
	2004	90%	
Annual Measure: Percent of problem banks rehabilitated, as measured by industry standards (Performance measure was adopted in 2002)	2001	40%	44%
	2002	40%	47%
	2003	40%	
	2004	40%	
Annual Measure: Percent of national banks that are well capitalized (Performance measure was adopted in 2002)	2001	95%	98%
	2002	95%	99%
	2003	95%	
	2004	95%	

Rating: *Effective*

Program Type: *Regulatory*

Program Summary:

The Office of the Comptroller of the Currency (OCC) mission is to ensure a safe and sound and competitive national banking system. OCC charters and is the primary federal regulator of national banks. It is responsible for examining the financial records of banks and for maintaining the integrity of the Bank Insurance Fund (FDIC deposit insurance).

The assessment indicates that the program contributes to the safety and soundness of the banking industry. For example, a key performance indicator shows that more than 95% of banks regulated by the OCC have strong ratings in 2002 which incorporate measures for: capital, asset quality, management competence, earnings, liquidity, and sensitivity to market risk, commonly known as CAMELS. Additional findings include:
1. The program purpose is clear.
2. The program goals are outcome-oriented and program measurements are clear.
3. The program is efficiently and effectively managed.
4. The program is not unique in that other agencies, including the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.

In response to these findings:
1. Federal banking regulatory agencies, including the OCC, the OTS, the NCUA, the Federal Reserve, and the FDIC, will work together to align outcome goals and related measures to allow for greater comparison of program performance in the industry.

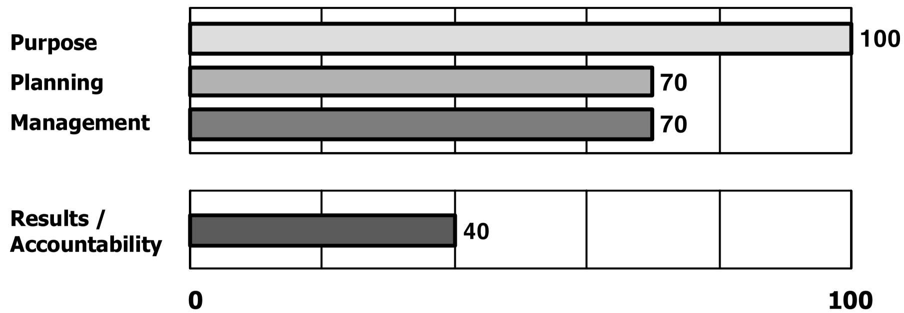
Program Funding Level (in millions of dollars)

2002 Actual	**2003 Estimate**	**2004 Estimate**
413	435	454

Program: *Office of Foreign Assets Control (OFAC)*

Agency: *Department of the Treasury*

Bureau: *Departmental Offices*



- [ ] Results Achieved
- [x] Results Not Demonstrated
- [ ] Measures Adequate
- [x] New Measures Needed

Key Performance Measures	***Year***	***Target***	***Actual***
Long-term Measure: Measures under development			
Annual Measure: Timely development of trade sanction programs (New measure, targets under development)			
Annual Measure: Compliance with US trade sanctions (New measure, targets under development)			

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Program Summary:

Treasury's Office of Foreign Assets Control (OFAC) develops and enforces economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations and international narcotics traffickers. For instance, OFAC and our Allies were responsible for blocking over $124 million in terrorist assets worldwide since September 2001.

The assessment indicates the overall purpose of the program is clear, but unit cost measures are lacking. Additional findings include:
1. OFAC lacks long-term performance goals with specific targets, which makes it difficult to determine whether or not outcome goals are achieved.
2. The program has not yet instituted annual performance goals to determine the effectiveness of OFAC sanctions.

The program is implementing a series of reforms designed to address these findings. These reforms include:
1. Developing long-term performance goals with specific timeframes and measures.
2. Adopting annual performance goals and aligning them with the long-term performance goals.

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
26	22	22

Program: *OTS Thrift Supervision*

Agency: *Department of the Treasury*
Bureau: *Office of Thrift Supervision*

- [x] Results Achieved
- [ ] Results Not Demonstrated
- [x] Measures Adequate
- [ ] New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Percentage of thrifts with high ratings according to industry standards (composite CAMELS ratings of 1 or 2) (Performance measure was adopted in 2003)	2002	90%	90%
	2003	90%	
	2004	90%	
Long-term Measure: Thrifts with consumer compliance ratings of 1 or 2 (Performance measure was adopted in 2003)	2002	90%	92%
	2003	90%	
	2004	90%	
Annual Measure: Percent of thrifts that are well capitalized (Performance measure was adopted in 2003)	2002	95%	98%
	2003	95%	
	2004	95%	

Rating: *Effective*

Program Type: *Regulatory*

Program Summary:

The Office of Thrift Supervision (OTS) charters, examines, supervises and regulates thrift institutions and savings associations.

The assessment indicates that the program contributes to the safety and soundness of the banking industry. For example, a key performance indicator shows that more than 90% of banks regulated by the OTS have strong ratings in 2002 which incorporates measures for: capital, asset quality, management competence, earnings, liquidity, and sensitivity to market risk, commonly known as CAMELS. Additional findings include:
1. The program purpose is clear.
2. The program recently developed new goals that are outcome-oriented and program measurements which are clear.
3. The program is efficiently and effectively managed.
4. The program is not unique in that other agencies, including the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.

In response to these findings:
1. Federal banking regulatory agencies, including the OTS, the OCC, the NCUA, the Federal Reserve, and the FDIC, will work together to align outcome goals and related measures to allow for greater comparison of program performance in the industry.
2. The OTS will evaluate the efficiency and effectiveness of a single examination for both Safety and Soundness and Compliance functions.
3. The OTS will take steps to examine long-term systemic risks in the industry.

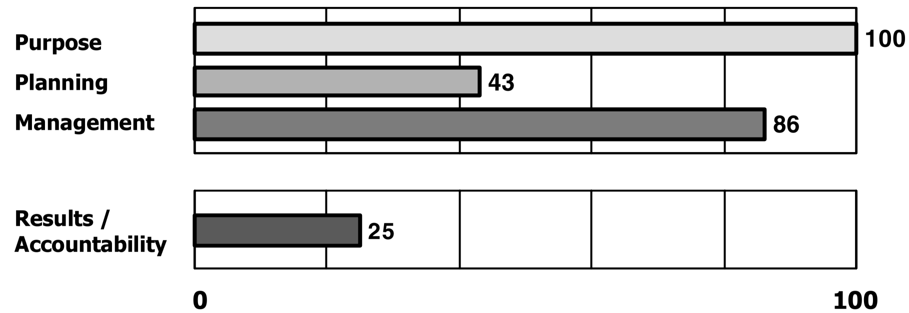
Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
163	168	168

Program: *Treasury Technical Assistance*

Agency: *Department of the Treasury*

Bureau: *International Affairs*



☐ Results Achieved
☑ Results Not Demonstrated

☐ Measures Adequate
☑ New Measures Needed

Key Performance Measures	Year	Target	Actual
Long-term Measure: Measures under development			
Annual Measure: Number of countries in which tax administration agencies will initiate substantive changes to reorganize on a functional basis (Better targets under development)	2001	3	3
Annual Measure: Measures under development			

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Program Summary:

This program provides technical assistance to developing countries to help them reform the way they budget, tax, enforce financial laws, and manage government finances.

Findings from the PART Assessment include the following:
1. The program scored well for program design and management. Program managers at the Office of Technical Assistance (OTA) closely collaborate with advisors implementing programs and with countries receiving assistance to ensure well-designed projects and effective use of funds.
2. Strategic planning is the area most in need of management attention. OTA has a limited number of long-term performance goals. However, these goals are not linked to measurable achievements, do not identify clear targets towards which to manage OTA's resources, and do not establish a timeframe for completion.
3. The absence of quantifiable long-term performance measures makes it difficult for OTA to justify how a particular funding level will help achieve results.
4. While annual performance goals are delineated, the absence of quantifiable long-term goals makes annual progress difficult since it cannot be measured against a long-term baseline. Furthermore, annual goals should be more ambitious, since most are usually achieved by 100 percent.
5. The low score in the results section is due primarily to the fact that the program has not yet developed adequate performance measures and targets. This makes it impossible to hold the program accountable for achieving results.

In response to these findings OTA managers will improve strategic planning by developing quantifiable annual and long-term performance measures and targets in 2003.

Program Funding Level (in millions of dollars)

2002 Actual	2003 Estimate	2004 Estimate
7	10	14