

Financial Crimes Enforcement Network

Mission Statement

To enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.

Program Summary by Budget Activity

Dollars in Thousands

Appropriation	FY 2008	FY 2009	FY 2010		
	Enacted	Enacted	Request	\$ Change	% Change
BSA Administration and Analysis	\$76,889	\$82,287	\$93,444	\$11,157	13.6%
Regulatory Support Programs	\$8,955	\$9,178	\$9,316	\$138	1.5%
Total Appropriated Resources	\$85,844	\$91,465	\$102,760	\$11,295	12.3%
Total FTE	321	330	331	1	0.3%

FY 2010 Priorities

- Modernize BSA information management and analysis to equip law enforcement and financial industry regulators with better decision-making abilities and increase the value of BSA information through increased data integrity and analytical tools.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Financial Crimes Enforcement Network (FinCEN), a bureau within Treasury's Office of Terrorism and Financial Intelligence, plays a key role in supporting the Department's strategic goal of Prevented terrorism and promoted the nation's security through strengthened international financial systems. This role includes ensuring safer and more transparent U.S. and international financial systems through the administration of the Bank Secrecy Act (BSA).

The BSA requires financial institutions to file reports and maintain records on certain types of financial activity and to establish appropriate internal controls to guard against money laundering, terrorist financing, and other types of illicit finance. These reports and records have a high degree of usefulness in criminal, tax, and regulatory matters. Documents filed by businesses pursuant to the BSA requirements are heavily used by law enforcement agencies, both domestically and through exchanges with international counterparts, to identify, detect and deter money laundering, whether it is in furtherance of a criminal enterprise, terrorism, tax evasion or other unlawful activity. FinCEN also serves as the nation's financial intelligence unit (FIU). A FIU serves as a national center to collect, analyze, disseminate, and exchange information pursuant to a country's anti-money laundering/counter-terrorist financing (AML/CFT) legislation and regulations. This information includes suspicious or unusual financial activity reported by the financial sector.

FinCEN's activities and efforts are both developed in coordination with federal, state, and international partners; and linked to the following strategic goals:

- Financial systems resistant to abuse by money launders, terrorists, and their financial supporters, and other perpetrators of financial crime;
- Detection and deterrence of money laundering, terrorism financing, and other illicit activity; and
- Efficient management, safeguarding, and use of BSA information.

The total resources required to support FinCEN for FY 2010 are \$105,760,000 including \$102,760,000 for direct appropriation and \$3,000,000 from offsetting collections.

1B – Program History and Future Outlook

FinCEN fulfills its mission, goals and priorities by: administering the BSA; supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; enhancing international anti-money laundering and counter terrorist financing efforts and cooperation; and networking people, entities, ideas, and information.

In the regulatory area, FinCEN's policy efforts focus on efficient and effective administration of the BSA. This includes improving the consistency in the application of BSA regulations to regulated financial institutions, providing guidance regarding

regulatory expectations, conducting studies to provide feedback to stakeholders, and initiating enforcement actions when appropriate.

In FY 2008, FinCEN published guidance relating to the anti-money laundering program rule for dealers in precious metals, precious stones, or jewels, as well as several pieces of guidance to further clarify the definition of money services businesses (MSBs). FinCEN also published a notice of proposed rulemaking in the Federal Register that would simplify the existing currency transaction reporting exemption regulatory requirements, and the bureau continues to work towards presenting a final rule.

Also in FY 2008, FinCEN published three strategic assessments describing findings from Suspicious Activity Report (SAR) analysis to provide feedback to industry, regulatory, and law enforcement stakeholders. The assessments identified reporting trends and patterns and described vulnerabilities and typologies gleaned from reviewing SAR records: after the first year of mandated reporting by certain insurance companies; reporting suspected money laundering activities in the residential real estate sector; and describing mortgage loan fraud.

Additionally, in FY 2008, FinCEN worked to publish the draft rule on Chapter 10 and redefinition of MSBs. This is an effort to overhaul BSA regulations for inclusion in the new Code of Federal Regulations chapter to provide greater clarity in regulations and make them easier for industry to follow, as well as more intuitive and responsive to industry feedback.

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

- Continue its outreach initiative to the largest fifteen depository institutions in the U.S. and expand this to include additional financial service industries; and
- Continue to support more consistent application of the BSA across industries.

FinCEN's efforts in the analytical area focus on developing products and services to help law enforcement better utilize resources to enhance detection and deterrence of domestic and international money laundering, terrorism financing, and other illicit activity. This includes exchange of information with counterpart foreign government FIUs in 107 countries that are members of the Egmont Group.

In FY 2008, FinCEN continued to enhance its support to law enforcement agencies by focusing on actionable analyses targeted at high-priority money laundering and terrorist financing targets. This effort was enhanced through collaborative efforts with Customs and Border Protection, the Border Patrol, Immigration and Customs Enforcement, and the Coast Guard. Additionally, FinCEN published two comprehensive technical reference guides for law enforcement officials (PayPal and MoneyGram).

FinCEN continued to work with its Egmont Group partners to develop actionable intelligence concerning illicit money flows and provided technical assistance and training to Egmont Group candidates and members. FinCEN increased collaboration with the Mexican FIU that involved analytical training, multiple on-site visits, support of information technology updates, and joint analytical projects.

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

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

FinCEN's efforts related to the efficient management, safeguarding, and use of BSA information focus on maximizing utilization by improving the overall information infrastructure and enhancing information technology management capabilities. Improving data quality and access remains a priority for FinCEN.

In FY 2008, FinCEN began the process to retire magnetic media filing, maximized BSA E-Filing capabilities and BSA data validation, and implemented data quality measures to improve its management of BSA data and increase coordination and communication with its federal stakeholders. The bureau also continued initial planning associated with the previously announced multi-year information technology modernization initiative. FinCEN implemented a new public website in May 2008 that improved navigation and allows customers to more easily find the information needed and created a more flexible and sustainable site structure. And finally, in FY 2008, FinCEN increased law enforcement access to BSA information through additional MOUs with U.S. Attorney's Offices.

FinCEN's future plans will improve its ability to strengthen financial system security and enhance U.S. national security. To ensure efficient management, safeguarding and use of BSA information, FinCEN will:

- Increase BSA utilization by improving BSA information management and analysis;
- Develop, enhance, or acquire technology to proactively identify, extract and analyze specific datasets, entities or subject networks;
- Upgrade information technology to better retrieve and share BSA information with a growing user population; and
- Continue information technology enhancement.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network	FTE	Amount
FY 2009 Enacted	330	91,465
Changes to Base:		
Maintaining Current Levels (MCLs):		
Across the Board Program Reduction	-	(\$1,295)
Non-Pay Inflation Adjustment	-	495
Pay Annualization	-	419
Pay Inflation Adjustment	-	834
Subtotal FY 2010 Changes to Base	-	\$1,295
Total FY 2010 Base	330	92,760
Program Changes:		
Program Increases:		
Implement Information Technology Modernization	1	\$10,000
Subtotal FY 2010 Program Changes	1	\$10,000
Total FY 2010 President's Budget Request	331	102,760

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$1,295,000 / +0 FTE

Across the Board Program Reduction -\$453,000 / +0 FTE

FinCEN continues to focus on improving the efficiency of its operations through a disciplined process of productivity improvement.

Non-Pay Inflation Adjustment +\$495,000 / +0 FTE

Funds are requested for non-pay related items such as inflation for contracts, travel, supplies, equipment and GSA rent.

Pay Annualization +\$419,000 / +0 FTE

Funds are requested for the FY 2010 cost of the January 2009 pay raise.

Pay Inflation Adjustment +\$834,000 / +0 FTE

Funds are requested for the January 2010 pay raise.

Program Increases+\$10,000,000 / +1 FTE

Implement Information Technology Modernization +\$10,000,000 / +1 FTE

This request supports initial FinCEN efforts to modernize the BSA technical environment. FinCEN is working on prioritizing multiple efforts within the overall modernization initiative, and considering potential modular approaches to improving BSA data and analysis capabilities. In FY 2007, FinCEN developed a strategy to modernize the BSA data architecture to better serve its internal and more than 10,000 external users that rely on accurate, timely, and reliable BSA data to identify money laundering, terrorist financing, tax evasion, and vulnerabilities in the financial industry. The modernization will reengineer the BSA data architecture, update antiquated infrastructure required to support data capture and dissemination, implement innovative web-services and enhanced electronic-filing, and provide analytical tools. This

investment will begin to enrich and standardize BSA data to maximize value, evaluate and deploy advanced analytical technologies, and establish more effective security technologies to enhance data confidentiality and integrity within FinCEN's environment. FinCEN's current technology environment has not kept pace with today's USA PATRIOT Act requirements. The number of institutions falling under the purview of the BSA has grown exponentially in the last six years and FinCEN anticipates continued robust growth in the future. The current technology environment is ill-equipped to meet 21st century realities and unable to quickly adapt to changing financial indicators and patterns of illicit activity. This funding request is a crucial component for promoting cost efficiency across several sectors of the USG and for meeting the needs of a modernized financial services industry.

2.2 – Operating Levels Table

Bureau: Financial Crimes Enforcement Network	FY 2008 Enacted	FY 2009 President's Budget	Congressional Action Including Rescission	FY 2009 Enacted Level	Proposed Reprogram mings	FY 2009 Proposed Operating Level	FY 2010 Requested Level	% Change FY 2009 to FY 2010
FTE	321	343	0	330	0	330	331	0.30%
Object Classification:								
11.1 - Full-time permanent	31,531	33,092	0	33,092	0	33,092	34,453	4.11%
11.3 - Other than full-time permanent	284	284	0	284	0	284	294	3.52%
11.5 - Other personnel compensation	526	526	0	526	0	526	545	3.61%
12 - Personnel benefits	8,433	9,030	0	9,030	0	0	9,075	0.00%
13 - Benefits for former personnel	0	0	0	0	0	9,030	0	-100.00%
21 - Travel and transportation of persons	1,190	1,216	0	1,216	0	1,216	1,153	-5.18%
23.1 - Rental payments to GSA	5,117	5,343	0	5,343	0	5,343	5,380	0.69%
23.2 - Rental payments to others	1,328	1,434	0	70	0	70	71	1.43%
23.3 - Comm, utilities, and misc charges	0	0	0	1,364	0	1,364	1,399	2.57%
24 - Printing and reproduction	400	450	0	450	0	450	454	0.89%
25.1 - Advisory and assistance services	1,815	1,815	0	1,815	0	1,815	1,830	0.83%
25.2 - Other services	11,758	13,136	0	13,266	0	13,266	13,178	-0.66%
25.3 - Other purchases of goods and services from Govt. accounts	12,706	14,198	0	14,198	0	14,198	14,445	1.74%
25.4 - Operation and maintenance of facilities	960	960	0	960	0	960	968	0.83%
25.6 - Medical care	145	153	0	153	0	153	155	1.31%
25.7 - Operation and maintenance of equip	4,815	5,003	0	5,003	0	5,003	5,056	1.06%
26 - Supplies and materials	409	444	0	444	0	444	449	1.13%
31 - Equipment	4,427	4,251	0	4,251	0	4,251	13,855	225.92%
Total Budget Authority	\$85,844	\$91,335	\$0	\$91,465	\$0	\$91,465	\$102,760	12.35%
Budget Activities:								
BSA Administration and Analysis	76,889	82,157	0	82,287	0	82,287	93,444	13.56%
Regulatory Support Programs	8,955	9,178	0	9,178	0	9,178	9,316	1.50%
Total Budget Authority	\$85,844	\$91,335	\$0	\$91,465	\$0	\$91,465	\$102,760	12.35%

2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2008 Obligations		FY 2008 Enacted		FY 2009 Enacted		FY 2010 Baseline		% Change FY 2009 to FY 2010	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
BSA Administration and Analysis	303	\$68,606	321	\$76,889	329	\$82,287	330	\$93,444	0.30%	13.56%
Regulatory Support Programs		8,942		8,955		9,178		9,316		1.50%
Subtotal New Appropriated Resources	303	\$77,547	321	\$85,844	329	\$91,465	330	\$102,760	0.30%	12.35%
Other Resources:										
Recoveries		741		741		407		407		0.00%
Offsetting Collections - Reimbursable		4,310		5,251	1	6,000	1	3,000		-50.00%
Available multi-year/no-year funds		7,152		7,343		14,300		14,000		-2.10%
Transfers In/Out		221		225		225		225		0.00%
Subtotal Other Resources	0	\$12,424	0	\$13,560	1	\$20,932	1	\$17,632	0.00%	-15.77%
Total Resources Available for Obligation	303	\$89,971	321	\$99,404	330	\$112,397	331	\$120,392	0.30%	7.11%

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK</p> <p style="text-align: center;">Federal Funds</p> <p>SALARIES AND EXPENSES:</p> <p>For necessary expenses of the Financial Crimes Enforcement Network, including hire of passenger motor vehicles; travel and training expenses of non-Federal and foreign government personnel to attend meetings <i>including for course development</i> and training concerned with domestic and foreign financial intelligence activities, law enforcement, and financial regulation; not to exceed \$14,000 for official reception and representation expenses; and for assistance to Federal law enforcement agencies, with or without reimbursement, [\$91,465,000] \$102,760,000 of which not to exceed [\$16,340,000] \$26,085,000 shall remain available until September 30, [2011] 2012; and of which [\$9,178,000] \$9,316,000 shall remain available until September 30, [2010] 2011: Provided, That funds appropriated in this account may be used to procure personal services contracts.</p>	<p>The new language would specifically allow FinCEN to fund travel and training expenses of non-Federal and foreign government personnel to obtain the necessary expertise required to develop and prepare training materials to meet its mission. This language will specifically allow FinCEN to gather course development resources from state and local organizations, public and private, non-profit institutions, public and private business, and foreign government personnel.</p>

2C – Legislative Proposals

FinCEN does not have any legislative proposals for FY 2010.

Section 3 – Budget and Performance Plan

This table lists all FY 2010 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treas.gov/offices/management/budget/strategic-plan/>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2009 Enacted	FY 2010 Request	Percent Change
U.S. & intl financial sys	97,465	105,760	8.51%
Total	\$97,465	\$105,760	8.51%

3A – BSA Administration and Analysis (\$93,444,000 from direct appropriations and \$3,000,000 from reimbursable programs): This activity comprises FinCEN’s efforts to administer the BSA, including promulgating regulations, providing outreach and issuing guidance to the regulated industries, providing oversight of BSA compliance, initiating enforcement actions, and, with the IRS, managing the information filed by the regulated industries, as well as analytic activities. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. Analytical programs include support to U.S. law enforcement and international FIUs in combating financial crime by facilitating the exchange of investigative information; identifying foreign and domestic money laundering and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving terrorist financing, money laundering, and other financial crimes.

FinCEN works closely with federal and state regulatory agencies that examine financial institutions for BSA compliance to ensure consistency across regulated industries. Through these efforts and direct outreach, FinCEN also assists regulated financial institutions in establishing risk-based anti-money laundering programs with appropriate policies, procedures, and internal controls and maintaining records and filing reports on certain types of financial activity pursuant to the BSA. As appropriate, FinCEN investigates alleged violations by financial institutions, issues letters of caution or warning, and seeks injunctions; additionally, when required, FinCEN imposes civil monetary penalties for egregious BSA violations, typically in conjunction with partner federal and state agencies.

In the global arena, FinCEN’s activities include: supporting international initiatives to educate other jurisdictions about the BSA regulatory regime; working to establish

international anti-money laundering/counter-terrorist financing regulatory standards and norms; and improving the expertise and capabilities of personnel with anti-money laundering/counter-terrorist financing missions.

FinCEN supports law enforcement agencies, intelligence agencies, and foreign FIUs investigating financial crimes by providing specialized and unique analysis of BSA data along with information from law enforcement, intelligence, and commercial sources. FinCEN’s analysis also supports regulatory and other policy decisions. The analysis includes development of threat assessments, industry reports, and technical guides describing financial transaction mechanisms. Additionally, FinCEN identifies individuals and networks involved in suspicious financial activity, referring that information to appropriate law enforcement agencies.

As administrator of the BSA, FinCEN must ensure the effective management, accessibility, dissemination, and use of the highly sensitive confidential information collected under the Act. FinCEN provides direct access to BSA information to authorized law enforcement, regulatory, and intelligence agencies. FinCEN will continue to integrate and modernize the various components of the BSA data collection and sharing systems. These efforts include upgrading the BSA E-Filing system to provide a more robust collection function, improving the quality of BSA data by preventing the omission of critical information, validating the information collected, and upgrading the BSA analytical tools used by FinCEN analysts.

Other Resources: Offsetting collections and reimbursements totaling \$3,000,000 are collected to support joint activities with other agencies such as the Department of State for technical assistance provided to international partners, and the Treasury Executive Office of Asset Forfeiture for projects to better support law enforcement.

3.2.1 – BSA Administration and Analysis Budget and Performance Plan

BSA Administration and Analysis Budget Activity					
Resource Level	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
	Obligated	Obligated	Obligated	Enacted	Request
Appropriated Resources	\$64,458	\$64,780	\$68,606	\$82,287	\$93,444
Reimbursable Resources	\$4,473	\$0	\$4,310	\$6,000	\$3,000
Total Resources	\$68,931	\$64,780	\$72,916	\$88,287	\$96,444

Budget Activity Total	\$68,931	\$64,780	\$72,916	\$88,287	\$96,444
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Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
		Actual	Actual	Actual	Target	Target
BSA Administration and Analysis	Percent of federal and state regulatory agencies with memoranda of understanding/information sharing agreements (%) (Ot)	0	0	41	45	51
BSA Administration and Analysis	Percent of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system (%) (Oe)	0	0	64	66	68
BSA Administration and Analysis	Percentage of bank examinations conducted by the Federal Banking Agencies indicating a	8	5.2	2.5	5.2	5.2

	systemic failure of the anti-money laundering program rule (%) (Oe)					
BSA Administration and Analysis	Percentage of customers satisfied with the BSA E-Filing (%) (Ot)	92	94	93	90	90
BSA Administration and Analysis	Percentage of FinCEN's Regulatory Resource Center customers rating the guidance received as understandable (%) (Ot)	94	91	94	90	90
BSA Administration and Analysis	The percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable (%) (Oe)	77	82	83	80	80
BSA Administration and Analysis	Average time to process enforcement matters (in years) (E)	1	1.1	0.7	1	1

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

In the regulatory area, FinCEN's goal to provide financial institutions with understandable guidance is critical to institutions establishing anti-money laundering programs that comply appropriately with the BSA. FinCEN's goal was to maintain a 90 percent satisfaction level and it surpassed the target with 94 percent of customers rating the guidance received as "understandable."

FinCEN also works closely with its regulatory partners to take enforcement action against financial institutions that systemically and egregiously violate the provisions of the BSA, including through imposition of civil money penalties when appropriate. Timely enforcement action is essential to deter non-compliance with the BSA. In FY 2008, FinCEN surpassed its target of an average time to process enforcement matters of 1.0 years with an average time of 0.7 years.

In the analytical area, FinCEN supports domestic law enforcement and international FIU partners by providing analyses of BSA information, and measures the percentage of customers finding FinCEN's analytical reports highly valuable. The measure closely ties to how BSA information is used by law enforcement and international FIUs to identify, investigate, and prevent abuse of the financial system. In FY 2008, FinCEN surpassed its target of 79 percent with 83 percent of its customers finding the analytic products highly valuable.

In the efficient management, safeguarding, and use of BSA information, FinCEN conducts a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2008 target was to maintain at least a 90 percent satisfaction level, and FinCEN surpassed its target with 93 percent.

3B – Regulatory Support Programs (\$9,316,000 from direct appropriations): This activity supports implementation, strengthening and clarification of the programmatic (anti-money laundering, Customer Identification Program, and suspicious activity reporting), recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will continue efforts with the IRS, especially related to the money services business (MSB) industry to ensure compliance,

respond to public inquiries, distribute forms and publications, and support collection and maintenance of BSA information. This may include enhancing the capability to correct identified data quality issues, enhance electronic filing, potentially explore overall forms design, and other related enhancements to the BSA collection and dissemination systems. These resources also fund IRS BSA compliance activities for non-bank financial institutions, especially related to the MSB industry.

3.2.2 – Regulatory Support Programs Budget and Performance Plan

Regulatory Support Programs Budget Activity					
Resource Level	FY 2006 Obligated	FY 2007 Obligated	FY 2008 Obligated	FY 2009 Enacted	FY 2010 Request
Appropriated Resources	\$8,436	\$8,436	\$8,941	\$9,178	\$9,316
Reimbursable Resources	\$0	\$0	\$0	\$0	\$0
Total Resources	\$8,436	\$8,436	\$8,941	\$9,178	\$9,316
Budget Activity Total					
	\$8,436	\$8,436	\$8,941	\$9,178	\$9,316

FinCEN achieved the following quantifiable results in FY 2008:

- Increased the number of registered MSBs to 38,594 as of October 11, 2008. FinCEN plans to maintain or exceed this level by FY 2010;
- Continued to analyze SARs on a monthly basis for indications of possible unregistered MSBs, coordinating with law enforcement and state regulatory agencies on appropriate outreach, and continue efforts to educate MSBs regarding requirements for registration by publishing guidance and participating in industry outreach events. From September 2002 through August 2008, 5,423 individuals/entities suspected of being engaged in unregistered MSB activity have been identified through a review of SARs filed by depository institutions; and
- Continued to investigate methods for measuring the extent of BSA compliance among MSBs.

For detailed information about each performance measure, including definition, verification and validation, please go to:

<http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

FinCEN's strategic human capital objective to attract, develop and retain a high-performing diverse workforce includes efforts to improve workforce planning and deployment, leadership and knowledge management, establish a results-oriented performance culture, promote diversity, recruit and retain a talented workforce, and improve accountability.

The FinCEN FY 2008-2012 Strategic Plan includes areas that require employees with enhanced skills. Additionally, the Strategic Plan has a management goal of a properly staffed and fully developed organization capable of providing the highest quality public service.

In terms of competitive sourcing, FinCEN submitted its FY 2008 FAIR Act Inventory to the Department in April 2008, and continues to rely upon the private sector to perform commercial activities, especially in the information technology environment.

FinCEN recently completed several organizational realignments throughout the bureau to more closely align functions and support the mission of the organization. For example, FinCEN's regulatory division has established an office to provide outreach to institutions that are subject to the BSA programmatic, recordkeeping, and reporting requirements. Additionally, the information technology division is establishing a customer service center that provides FinCEN employees with the support to better serve external customers.

FinCEN leaders and managers effectively manage people and sustain a learning environment that drives continuous improvement in performance. In FY 2008, FinCEN continued to strengthen the skills of its current leaders and promote leadership skills at all levels. Mandatory training for all supervisors/managers included a two day class on *Making the Most of Performance Appraisals* in October 2007, and two days on *Essential Supervisory Skills* in May and August 2008, which covered EEO and employee discipline topics. Nine webinars on a wide range of leadership topics were also offered, and six employees participated in government sponsored leadership development programs.

FinCEN estimates that 25 percent of the current workforce will be eligible for retirement between now and FY 2011. To confront this management challenge, the bureau is emphasizing leadership development activities at all levels. The Leadership Development Program Directive, formalized in August 2008, defines essential training for new managers and continuing education requirements for all managers. The directive promotes growth, commitment, and empowerment for executives, managers and supervisors through: the use of assessment tools, required new supervisor/manager training, leadership training and continuing education.

In order to demonstrate a results-oriented, high performing workforce, FinCEN uses a five-tier performance management system. The performance system requires that each employee be placed on performance standards that include three individual commitments linked directly to the strategic plan. This performance system allows managers to differentiate performance levels among employees and hold employees accountable for meeting specified performance goals and targets. In addition, each employee is also placed on an annual Individual Development Plan to identify areas for further growth and development.

FinCEN also has a complementary Awards and Recognition Program, which includes an annual Director's Awards and Recognition Program. In FY 2007, 78 percent of the workforce was rated above the fully successful level and were appropriately recognized, while 1.4 percent was rated below fully successful and appropriate remedial actions were taken.

FinCEN completed several efforts to ensure a diverse workforce is maintained. Major efforts are listed below:

- Continued participation in the Treasury Diversity Council and its support group;
- Maintained a Diversity Advisory Committee;
- Continued a mandatory Equal Employment Opportunity (EEO)/Diversity element in all supervisory performance plans to address EEO principles, workplace conflict, supporting EEO plans and diversity hiring requirements;
- Conducted a Diversity Day Training Conference for all employees;
- Provided mandatory EEO training to all Managers and Supervisors;
- Partnered with diverse academic groups to attract student interns of diverse backgrounds; and
- Established contacts with special interest groups to attract applicants from diverse populations.

FinCEN is committed to developing defined paths for career progression, mentoring and coaching programs to identify and grow talent, and enhancing the skills of existing employees. In FY 2008, FinCEN conducted a skills gap assessment for its mission critical Regulatory Specialists and Law Enforcement Liaison Specialists. Using the results of those skills gap assessment, training development plans were created for those mission critical occupations along with its mission critical Intelligence Research Specialist. A comprehensive BSA Training Program was deployed and in-house training focused on high level analytic training to close skills gaps. In January 2008, a Rotational Assignment Program was created. It provides temporary rotational assignments within and outside of the bureau to its highly qualified and highly motivated employees who wish to make a significant contribution to the bureau and to further their own learning and career development. Since January 2008, seven FinCEN offices made rotational opportunities available in their offices. Eight employees were selected for those rotations. Two external organizations, the Office of Foreign Assets Control and the Customs and Border Protection's National Targeting Center-Cargo each offered to host a FinCEN employee as a rotational opportunity.

In May 2008, FinCEN deployed the Treasury-wide Treasury Learning Management System (TLMS) to enable employees to manage their own learning, and supervisors to electronically manage subordinates' learning requests and progress. Employees now access training opportunities, on-line courses, external training requests, and their own training histories 24 hours a day, seven days a week. FinCEN can efficiently disseminate bureau-wide announcements of training and professional development linked to necessary actions, mandatory training, and OPM-required data. Full access to unabridged contents of 20,000 books on business and technical topics are available in a searchable, collaborative environment through the TLMS.

Additionally, FinCEN took advantage of various hiring authorities and flexibilities within the last year. For example, in FY 2008, ten students were hired under the Student Temporary Employment Program (STEP); 4 in FY 2007, and 16 in FY 2006. FinCEN utilized the Veterans Employment Opportunity Act (VEOA) and the Veteran Rehabilitation Act (VRA) by making two appointments over the past two years. As reported in the Quarterly Hiring Timeline Report over the last four quarters, FinCEN averaged 40.25 days, which is under the 45 day hiring timeframe.

Results from the 2006 Federal Human Capital Survey indicated that 80 percent of FinCEN employees know how their work relates to the agency's goals and priorities and 76 percent feel that they are held accountable for achieving results. According to the bureau's performance assessment results, FinCEN continues to clearly show distinctions of and consequences in levels of performance. FinCEN continues to follow up on some issues from the last Federal Human Capital Survey to identify ways to increase scores by improving employee satisfaction. FinCEN continues to review the performance management system to identify areas for improvement.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Information Technology Investments		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Major IT Investments / Funding Source	Budget Activity	Enacted	Enacted	Enacted	Request	Request
BSA Information Technology Modernization						14.0
Cross Border Major						2.8
Major IT Investments	BSA Administration and Analysis	0.0	0.0	0.0	0.0	16.7
Non-Major IT Investments	BSA Administration and Analysis	10.4	11.4	17.3	18.1	9.8
Infrastructure Investments	BSA Administration and Analysis	8.3	8.5	9.7	9.8	11.4
Enterprise Architecture	BSA Administration and Analysis	0.1	0.2	0.4	0.4	0.3
Total IT Investments	BSA Administration and Analysis	18.8	20.1	27.4	28.3	38.1

4B – Information Technology Strategy

Information and the technology used to facilitate its analysis are at the core of FinCEN's mission to deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems. However, FinCEN continues to face a critical need to improve the quality and accessibility of its data and increase responsiveness to stakeholders by introducing flexible and innovative technical solutions.

National and global law enforcement agencies depend on accurate, timely, and reliable financial information from FinCEN to track money trails, identify money laundering, and unravel terrorist financing networks.

In 2007, the number of BSA reports filed was slightly over 18 million, with approximately 1.3 million SARs for all covered industries. FinCEN recognizes the enormous obligation on one of its critical stakeholders—regulated financial institutions. Feedback from financial institutions, obtained through a 2007 survey on E-filing, indicated that FinCEN needs to streamline how it captures information through the various forms and simplify means to submit information.

Based on the growing need to reduce the obligation on the financial institutions while increasing the quality and timeliness of the information provided to the bureau's stakeholders, FinCEN began documenting an information technology modernization vision and strategy (IT MV&S) in FY 2007, resulting in an Enterprise Transition Strategy (ETS). This strategy spans all of the bureau's lines of business and serves as the organization's roadmap for aligning its IT portfolio with its business objectives and processes.

As a result of the IT MV&S effort, FinCEN has developed a multi-year strategic vision, which focuses on two key aspects—information management and analysis and stakeholder relations and collaboration. By establishing an enterprise-wide information management and analysis framework, FinCEN will be equipped with better decision-making ability and control of BSA data collection and processing, as well as improved data quality and integrity.

In FY 2008, FinCEN and IRS continued to forge their partnership towards a modernized environment. In mid 2008, the Modernization Executive Group (MEG) was created and currently serves as the highest level, integrated governing body in support of BSA information management and is tri-chaired by the Treasury Chief Information Officer, the IRS Deputy Commissioner, and the FinCEN Director. Once established, the MEG chartered the Executive Steering Committee (ESC), made up of seven voting members from IRS, FinCEN, and the Departmental Office, to ensure BSA modernization objectives are met, risks are managed appropriately, and expenditure of enterprise resources is fiscally sound. The MEG also requested an independent assessment of the current system of record for BSA data be performed to determine if portions could be reused in the modernized environment. The assessment concluded that the current system of record, WebCBRS, could not be used to support the capabilities identified in

the modernized BSA environment. Those results were presented to and agreed upon by the MEG, and as a result, IRS and FinCEN are partnering to develop new strategies to deliver all of the critical components required to meet the needs of BSA stakeholders.

Lastly, FinCEN's BSA IT Modernization program supports the Treasury FY 2007-2012 Strategic Plan's national security strategic goal, enables FinCEN to meet their statutory requirements, closes the known gaps and provides more efficient filing for industry, reduces costs to industry and Government, and makes information more accessible and useful to about 300 external agencies at the Federal and State level.

4.2 – Program Assessment Table

Evaluation Name: Bank Secrecy Act Data Collection, Retrieval and Sharing

Year Evaluated: 2005

Rating: Moderately Effective

OMB Major Findings/Recommendations

- The program has long-term performance measures that focus on the program's purpose and strategic goals, but more work is needed to measure data quality.
- Federal Managers are held accountable for cost, schedule and performance results. However, some activities are managed by another entity and are outside the scope of the performance measures.
- The program can show improved efficiencies and cost effectiveness for collecting and sharing data. The program has been able to show substantial increases in the number of users directly accessing data, and the share of filings submitted electronically.

Bureau Actions Planned or Underway

1. FinCEN will look at ways to reduce filing burden on the financial community, including streamlining reporting obligations and increasing feedback and notices to filers. Progress will be tracked and reported to stakeholders/published by FinCEN. In Q4 FY 2008 SAR Acknowledgement feature was communicated to the Data Management Council. The SAR Acknowledgment concept of operations and high-level requirements document were completed by September 2008. Due to system constraints with WebCBRS, this feature will not be implemented until late FY 2009. Implement Adobe Forms for E-Filing in Q3 FY 2009.
2. Increase the quality of BSA data by correcting data quality issues. In FY 2007, FinCEN, in collaboration with IRS, initiated a BSA Data Management framework process to increase the quality of BSA data. This initiative identified issues that affect the quality of BSA data, which were prioritized. FinCEN and IRS have established a process for updating and tracking these issues. In Q4 FY 2008 the WebCBRS Release to correct selected high-priority data quality issues covered 19 items and 456 closed items. There were 387 items of which 8 were urgent. In FY 2009 implement two WebCBRS releases to correct selected high priority data quality issues. Report on number of closed data quality issues in Q4 FY 2009.

3. FinCEN will work with stakeholders, through a formal partnership established in 2007, to identify additional steps on how to increase efficiency in completing and filing required reports. In order to highlight and track progress, FinCEN will quantify and publish the reduction in filing burden. In Q4 FY 2008 the stakeholder forum strategy was in progress. Due to resource constraints, a forum will not occur until FY 2009. Provide SAR Acknowledgement E-Filing requirements to ECC-Detroit and finalize implementation plan in Q1 FY 2009. Implement Adobe Forms for E-Filing in Q3 FY 2009.

Evaluation Name: Bank Secrecy Act (BSA) Analysis
Year Evaluated: FY 2006
Rating: Adequate

OMB Major Findings/Recommendations

- FinCEN currently administers a survey to its customers to evaluate the impact and usefulness of its analytic products. The response rate for 2006 was significantly increased for financial institutions and foreign intelligence units (FIUs), but more work is needed to increase the response rate for domestic law enforcement customers.
- FinCEN currently administers a survey to its customers to evaluate the impact and usefulness of its analytic reports, but more work is needed to develop a method for better assessing the law enforcement impact of FinCEN's analytic products.
- FinCEN has developed plans to expand the percentage of advanced analytic products that it produces, but significant effort will be required to achieve its long-term target of 75 percent in FY 2008. FinCEN has increased the percentage of advanced analytic products from 1.6 percent in FY 2004 to 39 percent in FY 2006.

Bureau Actions Planned or Underway

1. Evaluating the feasibility of better assessing law enforcement impact of FinCEN's products. The feasibility study was completed in FY 2008. A decision was made to focus efforts on a development and implementation of a more collaborative process for intake, evaluation, and prioritization of customer requests that will enhance FinCEN's understanding of customer needs and customer's understanding of products and services. A new action plan has been developed for this effort. These actions complete FinCEN's response to this recommendation.
2. Developing measures of the impact of FinCEN's efforts to strengthen anti-terrorist financing and anti-money laundering programs worldwide. A survey was administered to technical assistance customers during Q3 and Q4 of FY 2008. These same impact questions were incorporated into the Foreign Investigative Case Report survey to provide a more comprehensive measure of FinCEN's impact on international AML/CFT efforts. Based on the results, FinCEN established a baseline and set future targets considering both the results of technical assistance and case support. These actions, and the establishment of a measure, complete FinCEN's response to this recommendation.
3. Working to provide better understanding of FinCEN's analytical products and services to law enforcement customers, to better meet its customer's needs, and create a process for assessing and prioritizing requested products and services. FinCEN has drafted a concept of operations document that outlines this process and has begun internal meetings to discuss/solicit feedback on the proposal. In FY 2009, upon

completion of the comment period, the concept of operations plan will be updated and implementation will begin.

Evaluation Name: Bank Secrecy Act (BSA) Administration

Year Evaluated: 2006

Rating: Results Not Demonstrated

OMB Major Findings/Recommendations

- Questions have been raised concerning compliance and burden issues relating to the regulations FinCEN issues, and more time is needed to examine the costs and benefits of the reporting requirements.
- Although FinCEN has made progress in executing memoranda of understanding (MOUs) governing the exchange of information with federal and state regulatory agencies, additional time is needed to ensure BSA compliance in more vulnerable industries, particularly the money services business industry.
- The program has annual performance measures that focus on the implementation of the BSA, such as the number of MOUs that have been entered into, but more work is needed to measure the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities.

Bureau Actions Planned or Underway

1. Developing measures of the impact of program activities on preventing the misuse of the financial system by those engaged in illicit activities. A survey was developed and conducted in FY 2008 and baseline performance was established. To further enhance performance measures, FinCEN refined their measure monitoring the number of federal and state regulatory agencies with information sharing agreements reflecting progress toward FinCEN's target of 130. These actions, and the previous establishment of measures, complete FinCEN's response to this recommendation.
2. FinCEN will meet with staff from the Office of Information and Regulatory Policy (OIRA) to discuss the tools and methods they employ when making cost/benefit decisions related to regulations. FinCEN met with OIRA in the third quarter of FY 2008 to discuss regulatory impact analysis. These actions complete FinCEN's response to this recommendation.
3. Streamline regulatory requirements and other modifications relating to money services businesses subsequent to a review of existing regulatory framework and current issues. For FY 2009, FinCEN will facilitate the clearance process for a Notice of Proposed Rulemaking (NPRM) and an Advanced Notice of Proposed Rulemaking (ANPRM) to revise the money services business rules.
4. Expand information sharing agreements with federal and state regulators, with a focus on insurance commissioners. The MOU is an essential step to obtaining the data to monitor compliance and examination of covered industries. FinCEN uses this information to help its efforts to better ensure consistent examination procedures and

standards. The MOUs also must be expanded to state regulators covering the banking, securities, insurance, money services business, and gaming industries to provide consistency of application across these financial sectors. For FY 2009, FinCEN has developed a strategy that outlines the steps needed to begin the implementation of information sharing agreements with state insurance departments. The strategy includes the drafting of a template for MOUs, obtaining information from state/territory insurance commissioners, and gaining a better understanding of the state insurance examination process.

For a complete list of program results visit the following website:
<http://www.whitehouse.gov/omb/expectmore/all.html>