

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 2009	FY 2010	FY 2011		
	Enacted	Enacted	Request	\$ Change	% Change
BSA Administration and Analysis	\$82,287	\$101,694	\$91,151	(\$10,543)	(10.4%)
Regulatory Support Programs	\$9,178	\$9,316	\$9,268	(\$48)	(0.5%)
Total Appropriated Resources	\$91,465	\$111,010	\$100,419	(\$10,591)	(9.5%)
Total FTE	330	331	327	(4)	(1.2%)

FY 2011 Priorities

FinCEN's efforts clearly support the Treasury Secretary's priority to restore confidence in the financial system by harnessing all of its authorities to support domestic and global efforts in the fight against financial fraud. Specifically, FinCEN's activities to safeguard the financial system result in improved market integrity and heightened confidence in the financial system. FinCEN's mission components continually enhance the Secretary's priority in unique and complimentary ways. The regulatory component identifies financial industries and new payment methods vulnerable to money laundering, and develops corresponding policy and guidance to strengthen financial stability. The analytic component examines the Bank Secrecy Act (BSA) data filed by financial industries to identify vulnerabilities and financial fraud that undermine economic growth if left undetected. FinCEN has begun modernization of its BSA information technology system to ensure the effective management, accessibility, dissemination, and use of the highly sensitive confidential information collected under the BSA. This modernization will provide law enforcement and financial industry regulators better decision-making capabilities and increase the value of BSA information through increased data integrity and analytical tools. This effort will improve government-wide efforts to detect criminal activity, including tax and financial fraud.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Financial Crimes Enforcement Network (FinCEN), a Treasury Department bureau within the Office of Terrorism and Financial Intelligence, plays a key role in supporting the Department's strategic goal to prevent terrorism and promote the nation's security through strengthened international financial systems. FinCEN supports Treasury's national security goal by identifying attempts to utilize the financial system for illicit dealings and by ensuring safer and more transparent U.S. and international financial systems through the administration of the Bank Secrecy Act (BSA). The bureau also supports Treasury's other strategic goals by deterring noncompliance with tax laws promoting investigation of fraud and abuse/asset recovery, strengthening financial institutions and markets, and promoting compliance with laws and regulations.

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 financial fraud, money laundering, terrorist financing, and other types of illicit finance. These reports and records have a high degree of usefulness in criminal, tax, and regulatory matters. Law enforcement agencies use BSA information, domestically and through exchanges with international counterparts, to identify, detect and deter financial fraud and money laundering. Acts of fraud and money-laundering are interconnected as the proceeds of these fraudulent activities are ultimately integrated into the financial system. Regulatory authorities use BSA information in promoting safety and soundness of financial institutions and markets in carrying out prudential supervision, including to ensure compliance with BSA requirements.

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

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

- Financial systems resistant to abuse by money launderers, 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 2011 are \$120,419,000 including \$100,419,000 for direct appropriation and \$20,000,000 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 financial anti-fraud efforts; enhancing international anti-money laundering and counter terrorist financing efforts and cooperation; and networking people, entities, ideas, and information. These activities to safeguard the financial system support the Secretary's priorities to restore confidence in the financial system by improving market integrity and promoting confidence in the financial system.

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

In FY 2009, FinCEN:

- Issued an advisory to assist financial institutions in identifying questionable loan modification schemes and reporting that information to law enforcement, in support of a major Administration effort to combat foreclosure rescue scams. The advisory provided "red flags" for financial institutions that may indicate a loan modification or foreclosure rescue scam;
- Released updated mortgage fraud analysis that demonstrates Suspicious Activity Reports (SARs) filed on suspected mortgage fraud increased 44 percent in the 12 months ending in June 2008 compared with the prior year. The continued rate of growth in mortgage fraud SAR filings underscores the increased vigilance and awareness of financial institutions;
- Issued a Notice of Proposed Rulemaking (NPRM) to re-designate and reorganize the BSA regulations in a new chapter within the Code of Federal Regulations. The re-designation and reorganization of the regulations in a new chapter is not intended to alter regulatory requirements. The regulations will be organized in a more consistent and intuitive structure that more easily allows financial institutions to identify their specific regulatory requirements under the BSA. The new chapter will replace 31 CFR Part 103;
- Published a final rule that simplifies the current requirements for depository institutions to exempt their eligible customers from currency transaction reporting. The final rule was developed in accordance with the Government Accountability Office's recommendations, FinCEN's independent research, and with consideration of valuable industry feedback received during the public comment process;
- Issued a BSA examination manual for money services businesses (MSBs), in collaboration with the Internal Revenue Service (IRS), state agencies responsible for MSB regulation, the Money Transmitter Regulators Association (MTRA), and the Conference of State Bank Supervisors (CSBS). The manual's risk-based approach empowers the examiner to decide what examination procedures are necessary to evaluate the MSB's AML program; and
- Proposed revised rules and guidance that would permit certain affiliates of depository institutions as well as broker-dealers in securities, mutual funds, futures

commission merchants, and introducing brokers in commodities, to share SARs within a corporate organizational structure for purposes consistent with Title II of the BSA. The revised rules will help financial institutions better facilitate compliance with the applicable BSA requirements and more effectively implement enterprise-wide risk management.

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

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

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

In FY 2009, FinCEN:

- Continued to support efforts to combat mortgage fraud by publishing a report entitled *Mortgage Loan Fraud Connections with other Financial Crime* that examined a range of BSA reports to identify, evaluate and document interconnections between individuals involved in mortgage loan fraud and other financial crimes;
- As part of the larger U.S. Government efforts to bring relief to America's housing market and homeowners, FinCEN initiated an advanced targeting process to identify potential loan modification fraud perpetrators and to provide analytical support to investigations and prosecutions. FinCEN issued an advisory to financial institutions to help them identify and report questionable foreclosure rescue and mortgage modification schemes. Finally, FinCEN worked with Federal, state, and local agencies to combat the increase in mortgage foreclosure scams by networking agencies with common subjects to avoid overlapping investigations;
- Participated in a multi-agency task force headed by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) to deter, detect, and investigate instances of fraud in the Term Asset-Backed Securities Loan Facility (TALF);
- Held several inter-agency information sharing events to discuss sensitive data with the private sector. These events combined analytical findings and related law enforcement presentations for financial industry personnel, and provided an opportunity for industry personnel to share information on vulnerabilities and suspicious activities identified through their operations. A recent event included information sharing on money laundering and other financial crimes in Mexico and on the Southwest Border with representatives from banks that provide financial services to Mexico and the Southwest border region;
- Produced a series of strategic international studies addressing complex money laundering schemes and examining money flows related to illicit activities;
- Composed and disseminated 1,027 tactical reports to the other Egmont FIUs. These intelligence products are integral to investigations of money laundering and terrorist financing around the world; and
- Continued outreach and liaison activities that enhance the quality and quantity of financial intelligence exchanged between FinCEN and foreign FIUs. These efforts included training and technical assistance programs that strengthen the global network of FIUs.

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

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

- Expand working agreements with the government agency customer community within the provisions of 31 USC 5311 and financial institution AML compliance personnel on issues of strategic importance to FinCEN's analytical objectives;
- Improve analytical products and responsiveness to foreign government counterparts to strengthen the effectiveness of international AML/CFT efforts; and
- Increase joint analytical projects with foreign FIU counterparts through intensified operational engagements with key strategic partner FIUs.

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 2009, FinCEN:

- Retired magnetic media filing as a means to provide BSA information, enabling FinCEN to continue increasing the number of electronic filers. By the fourth quarter of FY 2009, 82 percent of all customers used E-Filing;
- Introduced additional field and business rule validations to batch data at E-Filing submission to improve data quality and provide faster error notification. This validation process currently applies to Currency Transaction Report (CTR) forms and the Designation of Exempt Person form. Filers receive e-mail that their submitted file has errors and may access a designated error page to view batch validation error details;
- Transitioned to Adobe LiveCycle from IBM WorkPlace forms during the third quarter of FY 2009. Moving to a widely used industry standard, Adobe LiveCycle brings E-filing in line with industry standards and offers improved forms usability for financial institutions;
- Implemented functionality to provide the BSA E-filing community with SAR acknowledgement files that contains the unique identifier for each submitted form or batch of forms. This feedback will alert filers about errors contained in filings with the goal of increasing BSA data quality; ;
- Implemented a collaboration and communities portal under the auspices of the Egmont Secure Web. This initiative leverages Web 2.0 Technologies and enables Egmont members to use secure communities for collaboration on sensitive special projects, as well as improve how each working group manages and shares documents and their contents; and
- Completed all of the program/enterprise-level documentation defined in FinCEN's System Development Life Cycle for the BSA Information Technology (IT) Modernization initiative. This documentation sets the foundation for the rest of the program and includes program management, business, and IT solution development documents, such as the Business System Requirements Report, the System Validation and Verification Plan, and the Transition Management Plan.

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:

- Modernize BSA information management and analysis to equip law enforcement and financial industry regulators with better decision-making abilities and increase the value of BSA information through increased data integrity and analytical tools. This multi-year program will:
 - Deploy advanced analytical and BSA data storage technologies;
 - Implement innovative Web-services and E-Filing technologies;
 - Enrich and standardize BSA data to maximize value for state and federal partners;
 - Integrate BSA data with other state and federal sources;
 - Deploy proven customer relationship technologies to capture data usage and access patterns and solicit/provide feedback to partners;
 - Establish effective data security and audit technologies to maximize BSA data confidentiality and integrity; and
 - Retire the current system of record (WebCBRS).

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Crimes Enforcement Network	FTE	Amount
FY 2010 Enacted	331	111,010
Changes to Base:		
Maintaining Current Levels (MCLs):		
FERS % Change	-	\$1,656
Non-Pay Inflation Adjustment	-	104
Pay Annualization	-	804
Pay Inflation Adjustment	-	192
Pay Inflation Adjustment	-	556
Non-Recurring Costs:	-	(\$8,250)
Non-Recur Funding	-	(8,250)
Efficiencies Savings:	(4)	(\$3,997)
Efficiency Savings	(4)	(2,083)
IT and Procurement Savings	-	(1,914)
Subtotal FY 2011 Changes to Base	(4)	(\$10,591)
Total FY 2011 Base	327	100,419
Total FY 2011 Budget Request	327	100,419

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$1,656,000 / +0 FTE

FERS % Change +\$104,000 / +0 FTE

Funds are requested for the increase in agency retirement contribution percentages for GS employees from 11.2% to 11.5% for FY 2011 as required by OPM.

Non-Pay Inflation Adjustment +\$804,000 / +0 FTE

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

Pay Annualization +\$192,000 / +0 FTE

Funds are requested for the FY 2011 cost of the January 2010 pay raise.

Pay Inflation Adjustment +\$556,000 / +0 FTE

Funds are requested for the January 2011 pay raise.

Non-Recurring Costs-\$8,250,000 / +0 FTE

Non-Recur Funding -\$8,250,000 / +0 FTE

Non-recur funding received in FY 2010 for the Information Technology (IT) Modernization initiative. FinCEN will seek alternate funding from the Treasury Forfeiture Fund to fully implement the planned IT Modernization.

Efficiencies Savings-\$3,997,000 / -4 FTE

Efficiency Savings -\$2,083,000 / -4 FTE

Reductions were identified as a result of business process efficiencies from consolidation of IT Infrastructure; expansion of shared services for administrative functions; reduction of discretionary travel and training; employee attrition savings; and other related savings.

IT and Procurement Savings -\$1,914,000 / +0 FTE

Savings were identified from a consolidation of commercial database contracts; spreading out investments for non-critical IT systems over a longer period; and reduction of other non-critical contractual services.

2.2 – Operating Levels Table

Financial Crimes Enforcement Network	FY 2009 Enacted	FY 2010 President's Budget	Congressional Action Including Rescission	FY 2010 Enacted Level	Proposed Reprogram mings	FY 2010 Proposed Operating Level	FY 2011 Requested Level
FTE	330	331	0	331	0	331	327
Object Classification:							
11.1 - Full-time permanent	33,092	34,453	0	36,108	0	36,108	37,130
11.3 - Other than full-time permanent	284	294	0	294	0	294	304
11.5 - Other personnel compensation	526	545	0	545	0	545	564
12 - Personnel benefits	9,030	9,075	0	9,420	0	9,420	9,597
21 - Travel and transportation of persons	1,216	1,153	0	1,153	0	1,153	844
23.1 - Rental payments to GSA	5,343	5,380	0	5,380	0	5,380	5,379
23.2 - Rental payments to others	70	71	0	71	0	71	71
23.3 - Comm, utilities, and misc charges	1,364	1,399	0	1,399	0	1,399	1,415
24 - Printing and reproduction	450	454	0	454	0	454	459
25.1 - Advisory and assistance services	1,815	1,830	0	1,829	0	1,829	1,849
25.2 - Other services	13,266	13,178	0	13,178	0	13,178	10,723
25.3 - Other purchases of goods and services from Govt. accounts	14,198	14,445	0	14,545	0	14,545	14,595
25.4 - Operation and maintenance of facilities	960	968	0	968	0	968	737
25.6 - Medical care	153	155	0	155	0	155	156
25.7 - Operation and maintenance of equip	5,003	5,056	0	5,056	0	5,056	5,118
26 - Supplies and materials	444	449	0	449	0	449	450
31 - Equipment	4,251	13,855	0	20,006	0	20,006	11,028
Total Budget Authority	\$91,465	\$102,760	\$0	\$111,010	\$0	\$111,010	\$100,419
Budget Activities:							
BSA Administration and Analysis	82,287	93,444	0	101,694	0	101,694	91,112
Regulatory Support Programs	9,178	9,316	0	9,316	0	9,316	9,307
Total Budget Authority	\$91,465	\$102,760	\$0	\$111,010	\$0	\$111,010	\$100,419

2.3 – Appropriations Detail Table

Dollars in Thousands
 Appropriation Detail Table
 (Dollars in Thousands)

Resources Available for Obligation	FY 2009		FY 2009		FY 2010		FY 2011		% Change	
	Obligations		Enacted		Enacted		Request		FY 2010 to FY 2011	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
BSA Administration and Analy	311	71,952	330	\$82,287	331	\$101,694	327	\$91,151	-1.21%	-10.37%
Regulatory Support Programs		8,647		9,178		9,316		9,268		-0.52%
Subtotal New Appropriated Resources	311	\$80,599	330	\$91,465	331	\$111,010	327	\$100,419	-1.21%	-9.54%
Other Resources:										
Recoveries		500		407		500		500		
Offsetting Collections - Reimbursable	2	7,066	1	6,000	1	20,000	1	20,000	0.00%	0.00%
Available multi-year/no-year funds		14,330		14,300		20,526		18,138		
Transfers In/Out		250		225		250		250		
Subtotal Other Resources	2	\$22,146	1	\$20,932	1	\$41,276	1	\$38,888	0.00%	-5.79%
Total Resources Available for Obligation	313	\$102,745	331	\$112,397	332	\$152,286	328	\$139,307	-1.20%	-8.52%

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p>DEPARTMENT OF THE TREASURY FINANCIAL CRIMES ENFORCEMENT NETWORK</p> <p>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, including for course development, of non-Federal and foreign government personnel to attend meetings 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, [\$111,010,000] \$100,419,000 of which not to exceed \$26,085,000 shall remain available until September 30, [2012] 2013; and of which [\$9,316,000] \$9,268,000 shall remain available until September 30, [2011] 2012: Provided, that funds appropriated in this account may be used to procure personal services contracts.</p>	

2C – Legislative Proposals

FinCEN has no legislative proposals.

Section 3 – Budget and Performance Plan

This table lists all FY 2011 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 2010 Enacted	FY 2011 Request	Percent Change
U.S. & International Financial Systems	131,010	120,419	-8.08%
Total	\$131,010	\$120,419	-8.08%

3A – BSA Administration and Analysis (\$91,151,000 from direct appropriations and \$20,000,000 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 AML regimes through training and technical assistance. Analytical programs include support to U.S. law enforcement and international FIUs in combating financial fraud and crime by facilitating the exchange of investigative information; identifying foreign and domestic financial fraud, 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 financial fraud, 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 AML programs with appropriate policies, procedures, 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

AML/CFT regulatory standards and norms; and improving the expertise and capabilities of personnel with AML/CFT missions.

FinCEN supports law enforcement agencies, intelligence agencies, and foreign FIUs investigating financial fraud and 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 modernize the 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.

Other Resources: Offsetting collections and reimbursements totaling \$20,000,000 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 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Request
Appropriated Resources	\$64,780	\$68,606	\$82,287	\$101,694	\$91,151
Reimbursable Resources	\$0	\$4,310	\$6,000	\$20,000	\$20,000
Total Resources	\$64,780	\$72,916	\$88,287	\$121,694	\$111,151
Budget Activity Total					
	\$64,780	\$72,916	\$88,287	\$121,694	\$111,151

BSA Administration and Analysis Budget Activity					
Measure	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Target	Target
Average time to process enforcement matters (in Years) (E)	1.1	0.7	1	1	1
Median time taken from date of receipt of Financial Institution Hotline Tip SARs to transmittal of the information to law enforcement or the intelligence community (E)	7	3	3	5	5
Percentage of FinCEN's Regulatory Resource Center Customers rating the guidance received as understandable (Oe)	91	94	94	90	90
Percentage of FinCEN's compliance MOU holders finding FinCEN's information exchange valuable to improve the BSA consistency and compliance of the financial system (Oe)	NA	64	82	68	70
Percentage of customers satisfied with the BSA E-Filing (Oe)	94	93	94	90	90
Percentage of domestic law enforcement and foreign financial intelligence units finding FinCEN's analytical reports highly valuable (Oe)	82	83	81	81	82
Percentage of federal and state regulatory agencies with memoranda of understanding/information sharing agreements (Ot)	NA	41	43	46	50

Key: Oe - Outcome Measure, E - Efficiency Measure, and Ot - Output/Workload Measure

In the regulatory area, FinCEN continues to increase activities to monitor financial institutions examined for BSA compliance by state and federal regulators through the establishment of Memorandums of Understanding (MOUs) to exchange compliance information with regulators. In 2009, FinCEN reached a level 43 percent of federal and state regulatory agencies with MOU/information sharing agreements, but did not meet its target of 45 percent. FinCEN finalized an MOU with the Commodity Futures Trading Commission, the last remaining federal regulator with BSA examination authority to sign an agreement and the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico. However, FinCEN was not able to execute three additional agreements at the state regulators. FinCEN will continue collaborating with state insurance agencies and other regulatory agencies to sign additional agreements to meet future targets. In FY 2009, FinCEN exceeded its target of 66 percent of MOU holders rating the information exchange valuable with 82 percent. FinCEN's goal to provide financial institutions with understandable guidance is critical to institutions establishing AML programs that comply with the BSA. FinCEN exceeded its goal of 90 percent with 94 percent of its 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 imposing civil money

penalties when appropriate. Timely enforcement action is essential to deter non-compliance with the BSA. In FY 2009, FinCEN met its target to process enforcement matters within 1 year.

In the analytical area, FinCEN supports domestic law enforcement and international Financial Intelligence Unit (FIU) partners by providing analyses of BSA information, and measures the percentage of customers finding FinCEN’s analytic 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 2009, FinCEN met its target of 80 percent with 81 percent.

To ensure 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 2009 target was to maintain at least a 90 percent satisfaction level, and FinCEN surpassed its target with 94 percent.

3B – Regulatory Support Programs (\$9,268,000 from direct appropriations): This activity supports implementation, strengthening and clarification of the AML program, recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will also continue efforts with the IRS, especially related to the MSB industry, to ensure compliance, respond to public inquiries, distribute forms and publications, and support collection and maintenance of the BSA data. These resources support IRS BSA compliance activities for non-banking 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 2007 Obligated	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Request
Appropriated Resources	\$8,436	\$8,941	\$9,178	\$9,316	\$9,268
Reimbursable Resources	\$0	\$0	\$0	\$0	\$0
Total Resources	\$8,436	\$8,941	\$9,178	\$9,316	\$9,268
Budget Activity Total	\$8,436	\$8,941	\$9,178	\$9,316	\$9,268

As of November 17, 2009 the number of registered MSBs is 39,133. FinCEN expects to maintain or exceed this level by FY 2011 as a result of ongoing outreach efforts.

FinCEN also continued to analyze SARs on a monthly basis for indications of possible unregistered MSBs, coordinate with law enforcement and state regulatory agencies on appropriate outreach, and educate MSBs on registration requirements by publishing guidance and participating in industry outreach events.

Additionally FinCEN continued to work to improve the effectiveness and consistency of MSB examinations conducted by IRS and state examiners, by working on the development and delivery of MSB BSA/AML Examination Manual training, participating in a working group to

develop joint examination procedures for IRS and state examiners, and participating in the development of a template for states to report quarterly examination data consistently to the IRS.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://treas.gov/offices/management/budget/>

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

FinCEN's Human Capital Strategy is best described by its organizational vision outlined in the 2008-2012 Strategic Plan (http://www.fincen.gov/about_fincen/wwd/strategic.html). That vision is to have a well-managed environment where expert staff act swiftly, creatively, and collaboratively to address the threats posed to the domestic and international financial system by money launders, terrorists and their financial supporters, other threats to national security and perpetrators of financial crime.

Organizational Effectiveness

The role of FinCEN as the nation's FIU provides the bureau a unique view of the global economy. FinCEN recently completed an organizational realignment to elevate the international efforts to a division-level and demonstrate the emphasis the bureau places on safeguarding U.S. and international financial systems from abuse.

FinCEN continues to rely upon the private sector to perform certain activities, primarily in the information technology environment. The FY 2009 FAIR Act Inventory was submitted to the Department in April 2009.

Employee Retention and Satisfaction

In FY 2009, FinCEN implemented and invigorated several programs to improve employee morale. The Fitness Center Reimbursement Program and the Student Loan Repayment Program were introduced. FinCEN updated its Alternate Work Schedule Program and reinvigorated its Telework Program.

Results from the 2008 Federal Human Capital Survey indicated that 81 percent of FinCEN employees know how their work relates to the agency's goals and priorities, and 82 percent feel that they are held accountable for achieving results.

FinCEN continues to build a results-oriented, high performing workforce. FinCEN's five tier performance management system requires that each employee be placed on performance standards that include three individual commitments linked directly to the strategic plan. This performance management system allows managers to differentiate performance levels among employees and hold employees accountable for meeting specified performance goals and targets. Additionally, each employee works with his or her manager to agree upon an annual individual development plan to identify areas for career growth and development.

FinCEN continues to maintain a robust Awards and Recognition Program, including an Annual Director's Awards and Recognition Program. In FY 2008, 83 percent of the workforce was rated above the fully successful level and were appropriately recognized, while less than 1 percent was rated below fully successful and appropriate remedial actions were taken.

Leadership and Workforce Planning

FinCEN leaders manage people and sustain an environment that drives continuous improvement in performance. FinCEN must also develop future leaders to prepare for the estimated 38 percent of the workforce eligible to retire by 2013.

In FY 2009, FinCEN launched an aggressive leadership development plan to strengthen the skills of its current leaders and promote leadership skills at all levels. Implementation included 360 assessments for executives and supervisors, mandatory training for new supervisors, and annual completion of 24 hours of supervisory or leadership-focused continuing education. To meet these goals, FinCEN conducted in-house training for supervisors that included coaching and mentoring skills, relationship building, performance management, and change management.

To serve both supervisors and potential leaders, FinCEN's new Leadership Webinar Series made a range of topics available to all employees on a biweekly basis. Additionally, FinCEN sponsored five competitively-selected employees in long-term leadership development programs for grades 9-15, an annual opportunity. FinCEN also delivered in-house instruction to develop leadership skills in non-supervisors, and to empower all employees in accomplishing the bureau's mission.

FinCEN continues to assess skills for its mission critical occupations: Intelligence Research Specialists, Regulatory Specialists and Law Enforcement Liaison Specialists. In FY 2009, results of those skills gap assessments prompted revisions to the corresponding training development plans, identified and prompted delivery of essential in-house training to close skill gaps, and accelerated the frequency at which FinCEN's BSA Training Program is offered.

FinCEN's Rotational Assignment Program is another important method for skills enhancement and sharing expertise within and outside the bureau. In FY 2009, twelve highly qualified and motivated employees furthered their own learning and career development, while elevating communication and knowledge in their own rotational destinations.

Recruitment and Diversity

FinCEN utilizes various hiring authorities and flexibilities. In 2009, 13 students were hired under the Student Temporary Employment Program (STEP). FinCEN utilized the Veterans Employment Opportunity Act (VEOA) and Schedule A Disability Appointment authority to make two appointments over the past two years.

FinCEN reduced the amount of time it takes to hire employees from 45 days to 32 days during the last four quarters.

FinCEN continued to take a number of steps to ensure a diverse workforce is maintained. It maintained its Diversity Advisory Committee, conducted a Diversity Day Training Conference for all employees, partnered with diverse academic groups to attract student interns of diverse background, and established contacts with special interest groups to attract applicants from diverse populations. FinCEN 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.

Employee Satisfaction and Wellness

FinCEN is in the process of developing an action plan in response to the 2008 Federal Human Capital Survey to improve communications, enhance a climate of support and trust, create a more positively engaged workforce, and improve working relations within each employee level and across the organization. The plan will include specific actions to be taken, timeframes for completion, and resource needs for implementation, including an evaluation component to determine whether the plan is effective in reaching target outcomes.

FinCEN has already started gathering data in order to respond to the Office of Personnel Management's call for an inventory of current wellness activities, cafeteria and fitness facilities, and health clinics. FinCEN's D.C. and Vienna locations both have access to Health units with onsite nursing staff, and Vienna has an onsite fitness center (employees pay fitness center fee). In January 2009, FinCEN implemented a Fitness Center Reimbursement Program; 70 employees (22 percent) are participating in the reimbursement program for a total cost of \$18,630 in support of employee health and wellness. FinCEN also has a Worklife Coordinator to promote the Employee Assistance Program and Resources and Referral Service, WorkLife4You, which provide free services to employees. FinCEN also provides informational emails and seminars to employees on physical and mental health and wellness issues.

FinCEN offers employees both Alternate Work Schedules (AWS) and Telework programs. Results from the 2008 Federal Human Capital Survey indicated that 77 percent of FinCEN employees are satisfied with AWS and 84 percent feel that their manager supports their needs to balance work and other worklife issues. In addition, 51 percent are satisfied with FinCEN worklife programs, which is an increase from 35 percent in 2006.

4.1 – Summary of IT Resources Table

Dollars in Thousands

		FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
		Enacted	Enacted	Request	Enacted	Budget Request
Major IT Investments / Funding Source	Budget Activity					
BSA Information Technology Modernization					31,487	31,487
Total Major IT Investments	BSA Administration and Analysis	0	0	0	31,487	31,487
Total Non-Major IT Investments	BSA Administration and Analysis	11,424	17,273	18,108	12,535	12,060
Total Infrastructure Investments	BSA Administration and Analysis	8,474	9,711	9,800	11,375	10,931
Total Enterprise Architecture	BSA Administration and Analysis	203	385	385	250	250
Total IT Investments	BSA Administration and Analysis	20,101	27,369	28,293	55,647	54,728

4B – Information Technology Strategy

As the administrator of the BSA, FinCEN is entrusted to receive valuable information reported and collected under BSA requirements, which was approximately 17 million filings in FY 2009. The bureau's mission is 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. FinCEN's mission supports Treasury's strategic goal to prevent terrorism and promote the nation's security through strengthened financial systems. To successfully fulfill its mission, FinCEN relies on secure, advanced information technology (IT) to manage the collection, processing, storage, and dissemination of BSA information that contributes to the soundness and confidence in America's financial system.

FinCEN's IT Strategy takes into account the growing need to reduce the obligations on the financial institutions, while ensuring that National and global law enforcement agencies receive accurate, timely, and reliable BSA information to track money trails, identify money laundering, and unravel terrorist financing networks. FinCEN's IT Strategy focuses on the critical need to improve the quality and accessibility of its data and increase responsiveness to stakeholders by introducing flexible and innovative technical solutions.

A major component of FinCEN's IT Strategy is the bureau's information technology modernization vision and strategy (IT MV&S) and resulting Enterprise Transition Strategy, which serves as the roadmap for aligning its IT portfolio with its business objectives and processes and has resulted in the multi-year BSA IT Modernization program. By establishing an enterprise-wide information management and analysis framework, law enforcement and financial industry regulators will be equipped with better decision-making abilities and increased value of BSA information through enhanced data integrity and analytical tools. This will allow law enforcement and regulators to focus their limited resources on the areas of shifting illicit criminal activities and vulnerabilities effecting the soundness and stability of the U.S. financial system. The Modernization Program also focuses on simplifying stakeholder interaction for filing and information dissemination, as well as reducing operation and maintenance costs by employing best-in-class technology solutions to connect people, processes, and information.

Treasury is currently developing the plan for developing the modernized system, retiring the legacy system, and providing an overview of the detailed technical alternatives being considered to stakeholders. Also, in FY2009, FinCEN completed the program initiation work, which included documenting program management processes, business needs, and IT solution development direction for the full BSA IT Modernization program.

4.2 – Program Evaluation

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

Assessment and Improvement Actions

- 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 and published by FinCEN. In Q3 FY 2009 FinCEN implemented Adobe Forms for E-Filing and in Q4 FY 2009 FinCEN implemented the SAR acknowledgment functionality; these actions also support Treasury's paperless initiative.
- 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 2009 there were 203 closed data quality issues.
- 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 Q2 FY 2009 FinCEN developed a MSB page on the current FinCEN public web site intended to replace MSB.gov. In Q3 and Q4 FY 2009 FinCEN is researching technical web-based alternatives. In Q4 FY 2009 a web based presentation tool was tested and purchased that met FinCEN's requirement for internal and external web based presentation needs without requiring the IT forums.

Program Name: Bank Secrecy Act (BSA) Analysis

Assessment and Improvement Actions

- 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 solicit feedback on the proposal. In FY 2009, FinCEN continued an ongoing management review on this process.

Program Name: Bank Secrecy Act (BSA) Administration

Assessment and Improvement Actions

- 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 published a Notice of Proposed Rulemaking (NPRM) to revise the money services business rules.
- 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 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. In Q2 FY 2009 FinCEN determined that 129 regulatory bodies examine for BSA compliance in the insurance industry and a Memoranda of Understanding was signed with the Commodity and Futures Trading Commission. In Q4 FY 2009 FinCEN identified additional companies for outreach and visits are being arranged.