



Audit Report



OIG-14-048

TERRORIST FINANCING/MONEY LAUNDERING: FinCEN
Completed the BSA IT Modernization Program Within Budget and
Schedule

September 17, 2014

Office of
Inspector General

Department of the Treasury

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Abbreviations

BSA	Bank Secrecy Act
BSA IT Mod	BSA Information Technology Modernization Program
FinCEN	Financial Crimes Enforcement Network
FIR	Financial Intelligence Repository
IRS	Internal Revenue Service
IT	Information Technology
MITRE	MITRE Corporation
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
TEOAF	Treasury Executive Office for Asset Forfeiture

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*The Department of the Treasury
Office of Inspector General*

September 17, 2014

Jennifer Shasky Calvery, Director
Financial Crimes Enforcement Network

In 2011, Congress directed our office to report on the planning and implementation of the Bank Secrecy Act (BSA) Information Technology Modernization (BSA IT Mod) by the Financial Crimes Enforcement Network (FinCEN). Since that time, as directed, we have provided semi-annual reports on the progress of this 4-year, \$120 million effort to modernize the collection and analysis of BSA data to support Federal, state, and local agencies engaged in identifying money laundering, terrorist financing, tax evasion, and vulnerabilities in the financial industry.¹ This report is the sixth and final report on FinCEN's design and implementation of BSA IT Mod.²

Consistent with the Congressional directive, the objectives of the audit were to determine if FinCEN was (1) meeting cost, schedule, and performance benchmarks for the program and (2) providing appropriate oversight of contractors. We also assessed any deviations from FinCEN's plan. The period covered by this audit was January through June 2014. We interviewed FinCEN program officials, the

¹ House Report (H. Rept.) 112-331 directed our office to report on BSA IT Mod, including contractor oversight and progress regarding budget and schedule, semiannually.

² Our prior five reports issued under the Congressional directive are: *FinCEN's BSA IT Modernization Program Is on Schedule and Within Cost But Requires Continued Attention to Ensure Successful Completion* (OIG-12-047; Mar. 26, 2012); *FinCEN's BSA IT Modernization Program Is Meeting Milestones, But Oversight Remains Crucial* (OIG-12-077; Sep. 27, 2012); *FinCEN's BSA IT Modernization Program Met Milestones with Schedule Extensions* (OIG-13-036; Mar. 28, 2013); *FinCEN's BSA IT Modernization Program Was within Budget and on Schedule But Users Suggest Enhancements* (OIG-13-053; Sep. 25, 2013); and *FinCEN's BSA IT Modernization Program is on Budget, on Schedule and Close to Completion* (OIG-14-029; Mar. 25, 2014).

Department of the Treasury's (Treasury) Office of Chief Information Officer (OCIO) officials, and BSA IT Mod system users from various components within the Department of Justice. We interviewed representatives from Deloitte Consulting, LLP (Deloitte), and MITRE Corporation (MITRE), the contractors involved with developing the program.³ Additionally, we interviewed the contractors who support the program's operations and maintenance. We also reviewed applicable program documentation. We performed our fieldwork from April 2014 through July 2014. Appendix 1 provides a more detailed description of our audit objectives, scope, and methodology. Appendix 2 provides additional background information on BSA IT Mod, including its component projects.

In brief, we found that FinCEN completed BSA IT Mod development in March 2014, within the \$120 million budgeted for the program and within the planned 4-year schedule. During this audit period, FinCEN completed BSA IT Mod's final milestone project, the second phase of Release 2 of the Broker Information Exchange. Additionally, BSA IT Mod transitioned from the development phase to the operation and maintenance phase. Although the development phase was completed, FinCEN is working on certain necessary enhancements to BSA Mod IT.

We are making no recommendations in this report. Because BSA IT Mod is critical to both FinCEN's mission as well as to Federal, state, and local stakeholders, as part of the Office of Inspector General annual planning process, we will continue to monitor FinCEN's efforts as the program progresses through the operations and maintenance phase.

³ FinCEN contracted with Deloitte to oversee the systems development and integration effort. Deloitte was the prime contractor in the BSA IT Mod effort. FinCEN also engaged MITRE as a subject matter expert on program and project management and BSA IT Mod business capabilities. MITRE is a not-for-profit organization chartered to work in the public interest with expertise in systems engineering, information technology, operational concepts, and enterprise modernization. See appendix 2 for additional detail about FinCEN's BSA IT Mod contracts.

In its management response, which is provided in appendix 3, FinCEN acknowledged our conclusion that the BSA IT Mod program was completed within budget and on schedule. FinCEN also stated it will continue to engage its stakeholders to gather feedback, prioritize efforts, and address user needs throughout the operations and maintenance phase.

Audit Results

BSA IT Mod Program Development Was Completed within Budget and on Schedule

BSA IT Mod Completed within Budgeted Costs

FinCEN completed the final milestone project in March 2014 and spent \$111.3 million developing BSA IT Mod from its overall \$120 million, 4-year planned budget.⁴ A breakdown by category of the costs incurred during the 4-year development is provided below.

Table 1: BSA IT Mod Development Costs at Completion (in millions)

Category	Amount
Hardware and Software	\$12.0
Contractor Services	46.4
Other ¹	15.9
Operations and Maintenance	37.0
Total	\$111.3

Source: OIG analysis of FinCEN data.

¹ Other costs are comprised of (1) program management and program engineering performed by contractors including Deloitte and MITRE and (2) a 4 percent fee by the Department of the Interior's National Business Center Acquisition Services Directorate for contract support.

FinCEN funded BSA IT Mod development through its annual Congressional appropriations and supplemental funding from the Treasury Forfeiture Fund administered by the Treasury

⁴ Prior to the Office of Management and Budget's approval of the \$120 million development budget for BSA IT Mod, FinCEN spent \$11.2 million in planning. Additionally, FinCEN estimated that \$6.6 million was incurred in staffing costs related to the program during the 4-year development of the program. These costs are not reflected in Table 1.

Executive Office for Asset Forfeiture (TEOAF).⁵ Appendix 2 provides detail on funding source by year.

BSA IT Mod Program Development Finished on Schedule

FinCEN completed all BSA IT Mod project milestones for building the foundation for modernized BSA data collection, storage, sharing, and analysis. During the audit period, FinCEN completed the final milestone project – the second phase of Release 2 of the Broker Information Exchange. Appendix 2 provides the status of BSA IT Mod by project.

FinCEN, contractors, and OCIO officials told us that BSA IT Mod was successfully developed, that it met its originally planned functionality, and that it was performing well without any significant issues. Additionally, there have been no reductions in the program’s scope or deferments of critical functionality.

During the audit period, FinCEN conducted performance testing through government acceptance testing.⁶ FinCEN tested the final milestone project, the second phase of Release 2 of the Broker Information Exchange, as well as all system changes and releases done as part of operations and maintenance. FinCEN considered all remaining open defects manageable and of low severity, meaning that the defects

⁵ TEOAF provided funding for BSA IT Mod consistent with its authority to provide funds for law enforcement-related expenditures. The Treasury Forfeiture Fund, which is the receipt account for the deposit of non-tax forfeitures resulting from law enforcement actions by participating Treasury and Department of Homeland Security agencies. The Treasury Forfeiture Fund was established under 31 U.S.C. § 9703. The Fund can provide money to other Federal entities to accomplish specific objectives for which the recipient entities are authorized to spend money and toward other authorized expenses. Distributions from the Fund in excess of \$500,000 cannot be used until the Appropriations Committees from both houses of Congress are notified. TEOAF submits its planned release of funds to Congress annually. Those submissions through fiscal year 2012 included the funding provided for the BSA IT Mod program.

⁶ Government acceptance testing is the Government’s opportunity to validate that the users’ requirements were met. This includes testing functionality, system usability, permissions and security, compatibility testing, and traceability to business requirements through test script execution, demonstrations, and inspections. Performance and response time are also observed.

would not significantly impair program performance or functionality. FinCEN planned to continue to address remaining open defects as part of its ongoing production releases and system upgrades during the operations and maintenance phase.⁷

During the audit period, FinCEN's operations and maintenance activities were primarily focused on upgrading BSA IT Mod's software applications and hardware rather than addressing defects and users' requests for change and enhancements. These activities included upgrades to FinCEN Query's search engine software and hardware upgrades to E-filing servers to handle anticipated electronic filing increases. FinCEN also worked to improve BSA IT Mod testing environments.⁸ FinCEN program officials told us that the decision to focus principally on hardware and software upgrades was planned to allow the new operations and maintenance contractor, Northrop Grumman, time to become more familiar with BSA IT Mod's programming before addressing defects or users' requests for change and enhancements.

BSA IT Mod Transitioned to Operations and Maintenance

With the completion of the final milestone project, BSA IT Mod transitioned from the development phase to the operations and maintenance phase. FinCEN will fund the operations and maintenance each year through its annual Congressional appropriations. FinCEN's fiscal year 2014 budget included \$25.7 million to fund BSA IT Mod's remaining development project and operations and

⁷ FinCEN logs and prioritizes all defects, requests for change and enhancements, as well as necessary fixes to repair system functionality. As of June 30, 2014, FinCEN had 194 requests for change and enhancements and 313 open defects, which FinCEN plans to address in operations and maintenance regularly scheduled upgrades.

⁸ The testing and system environments should be mirror images of each other so that the effects of a programming change can be observed first, in the test environment, without impacting users operating in the system environment.

maintenance. For fiscal year 2015, FinCEN anticipates \$27.6 million will be needed to fund operations and maintenance.⁹

FinCEN's program management told us that no significant future development work was planned for BSA IT Mod and that the level of funding for operations and maintenance should be sufficient to address remaining open defects as well as make minor enhancements and address requests for change. The estimated service life of BSA IT Mod was 10 years; however, with the program's foundation now in place, FinCEN expects the investment's lifecycle to last beyond 10 years.

Financial Intelligence Repository Is Operational But Needs Enhancements

FinCEN converted investigative and enforcement cases from their existing case management system to the Financial Intelligence Repository (FIR) as part of the Broker Information Exchange project.¹⁰ However, FinCEN continued using an existing system, FinDB, for "314a" cases because FIR could not interact with the Secure Information Sharing System.¹¹ FinCEN plans to resolve this as part of an operations and maintenance effort scheduled for October 2014. According to FinCEN, MITRE, and Deloitte officials, the Broker Information Exchange project's original plan included building the foundation and establishing core functionality for case creation and storage, and that this core functionality was successfully accomplished.

During the audit period, FIR also experienced performance issues with its responsiveness, including inability to open

⁹ These dollar amounts for fiscal years 2014 and 2015 include FTE costs.

¹⁰ Appendix 2 has more detail on the Broker Information Exchange project including a listing of the case types converted.

¹¹ "314a" refers to section 314a of the USA PATRIOT Act. This section of the act provides authority for law enforcement agencies to submit requests through FinCEN to financial institutions for information about financial accounts and transactions of persons or businesses that may be involved in terrorism or money laundering. FinCEN's Secure Information Sharing System, which is separate from BSA IT Mod, allows financial institutions to receive and transmit information on 314a requests.

documents and interface with FinCEN Query.¹² FinCEN officials told us that they considered these performance issues to be serious and that the issues were addressed outside of the normal release schedule. FinCEN officials also told us that they planned to resolve the remaining FIR performance issues and address users' requests for change in future operations and maintenance releases. Additionally, FinCEN did not complete all work to update the FIR test environment; FinCEN officials said that this matter would be resolved in the next release of FIR scheduled for the end of September 2014.

BSA IT Mod Is Meeting External User Needs

As of June 30, 2014, approximately 11,000 users had performed approximately 7.2 million data queries since FinCEN Query went live in September 2012. FinCEN program officials told us that they had not heard of any significant user complaints or issues. We found most calls to the FinCEN Helpdesk were non-performance related, such as password and login resets, or instructions on how to complete E-filing forms.

In a previous report, we discussed the feedback we received from external users of FinCEN Query on their experience with the tool; that feedback was generally positive. We also noted in the report that we had not yet obtained feedback from DOJ users. During this audit period, we interviewed a number of DOJ users; as a whole, they were also positive about FinCEN Query and told us that it was meeting their business needs. Overall, they said that the system performed well, was responsive, and that the quality of the data was satisfactory.

¹² FinCEN Query is a tool designed to improve authorized users' ability to access and analyze BSA data. The tool supports traditional structured BSA data queries, and provides narrative search capabilities and options to coordinate and collaborate with users on queries performed.

FinCEN and Treasury OCIO Oversight Continued

During the audit period, FinCEN maintained the same level of oversight over the contractors as in our previous audit. FinCEN program officials told us that the transition of the operations and maintenance contract from Deloitte to Northrup Grumman had gone well, as did the infrastructure contract transition from Deloitte to NavStar.

MITRE representatives told us that they believed FinCEN was successfully managing the program and they had not seen any adverse effects from MITRE's reduced involvement in the program. Additionally, FinCEN, MITRE, and Deloitte officials told us that they were confident in Northrup Grumman's ability to maintain BSA IT Mod in the operations and maintenance phase.

In our previous audit, we found Treasury OCIO's monitoring of the BSA IT Mod program appropriate given the overall positive track record on this development effort. During this audit, we found Treasury OCIO continued to monitor FinCEN's monthly data submissions and post-implementation reviews to identify potential issues, and performed macro-level reviews including trend analysis.

Treasury OCIO officials told us that BSA IT Mod was performing well and that they knew of no significant performance issues or user complaints. They were also satisfied with FinCEN's management of the program and believe that FinCEN's oversight of the program and contractors had gone well. OCIO officials told us that, as a whole, BSA IT Mod was successful and attributed the success to FinCEN's program management personnel. They also believed that FinCEN will successfully administer BSA IT Mod in the operations and maintenance phase.

OCIO plans to continue to monitor the BSA IT Mod program in the operations and maintenance phase using operational

metrics¹³ and by conducting annual operational analyses.¹⁴ Treasury OCIO did not know of any additional production capabilities planned for BSA IT Mod at the time of the audit, but told us that any development expected to exceed 90 days or \$200,000 would require FinCEN to report to OCIO in the same manner as a milestone project.

As planned, FinCEN ended external BSA IT Mod governance through the discontinuance of the Modernization Executive Group and Executive Steering Committee in April 2014.¹⁵ Treasury OCIO officials said that they had no concerns over this action since the program development was completed.

We believe that the oversight by FinCEN management and Treasury OCIO during the audit period was appropriate given the overall positive track record by FinCEN in managing its BSA IT Mod development effort.

Status of Prior BSA IT Mod Issues

In our last report, we recommended that FinCEN continue to work with users to address users' requests for training and enhancements. During this audit period, FinCEN continued to work through the Data Management Council (DMC) to address and prioritize user issues, including soliciting feedback on the prioritization of system defects, requests for change, and enhancements; briefing users on the content of operation and maintenance releases and system issues; and providing training and resource information.

¹³ Examples of operational metrics captured by FinCEN include the average number of hours from receipt of BSA data to availability in FinCEN Query and the percent of customers who report overall satisfaction with the use of FinCEN Query.

¹⁴ The Office of Management and Budget (OMB) directs agencies to periodically examine the performance of IT investments against, among other things, established cost, schedule, and performance goals. Specifically, OMB calls for agencies to perform annual operational analyses, which are a key method for examining the performance of such investments. Operational analysis will include trend analysis to measure if the system is performing as intended in production.

¹⁵ The Treasury CIO was a member of both the BSA IT Mod Modernization Executive Group and Executive Steering Committee. These governance bodies met on a quarterly basis or when a major decision or approval was sought for BSA IT Mod.

We also recommended in our last report that FinCEN make agencies aware of the process to contact FinCEN if misuse of BSA data is suspected. During this audit period, FinCEN notified DMC members about the process. FinCEN program officials told us that FinCEN continued to develop its own program to monitor the use of BSA data. Currently, FinCEN's Liaison Division was working with all BSA IT Mod user agencies on establishing Memoranda of Understandings addressing the monitoring process that will be used, and FinCEN plans to hire a consultant to review its inspection program.

Conclusion

This report is our sixth and final on the status of FinCEN's development of BSA IT Mod. All development milestone projects were completed, and the overall program was completed within schedule and within budget. Going forward, FinCEN will need to address the remaining program defects, users' requests for change and enhancements, training, and FIR's functionality. We plan to monitor and assess FinCEN's efforts in these areas in future audits.

* * * * *

We appreciate the cooperation and courtesies extended to our staff during the audit. If you wish to discuss the report, you may contact me at (617) 223-8638 or Mark Ossinger, Audit Manager, at (617) 223-8643. Major contributors to this report are listed in appendix 4.

/s/
Sharon Torosian
Audit Director

Pursuant to a Congressional directive, this is the sixth and final in a series of audits of the Financial Crimes Enforcement Network's (FinCEN) Bank Secrecy Act (BSA) Information Technology Modernization Program (BSA IT Mod). Our objective was to determine if FinCEN is (1) meeting cost, schedule, and performance benchmarks for this program and (2) providing appropriate oversight of contractors. In addition, we evaluated any deviations from FinCEN's plan. We determined the status of the program's cost, schedule, and performance through June 30, 2014.

To accomplish our objective, we interviewed officials with FinCEN, the Department of the Treasury's Office of the Chief Information Officer (OCIO), and FinCEN's contractors. We also interviewed BSA IT Mod users from various Department of Justice (DOJ) component agencies. In addition, we reviewed applicable program documentation. We performed our fieldwork from April 2014 through July 2014.

At FinCEN, we interviewed:

- The Chief Information Officer (CIO), Chief Technology Officer (CTO), and BSA IT Mod Program Manager to obtain an update on BSA IT Mod, cost and schedule concerns, project testing conducted and defect resolution, strategies employed, and overall progress of the program.
- The BSA IT Mod project managers, project leaders, and contracting officer's representatives to obtain an understanding of their perspective, level of involvement, schedule and performance concerns, and overall progress of their respective projects.

External to FinCEN, we interviewed the following officials:

- Deloitte Consulting LLP's Managing Director and Deloitte's Program Manager for BSA IT Mod to obtain an update on their perspective of BSA IT Mod and ascertain the program's status.
- Northrup Grumman's on-site Program Manager for BSA IT Mod to obtain an update on his perspective of BSA IT Mod and ascertain the program's status.

- NavStar’s Executive Manager and on-site Program Manager for BSA IT Mod to obtain an update on their perspective of BSA IT Mod and ascertain the program’s status.
- Total Systems Technologies Corporation Director for BSA IT Mod to obtain an update on her perspective of BSA IT Mod and ascertain the program’s status.
- MITRE representatives to obtain an update of MITRE’s role as the Federally funded research and development contractor, its level of involvement with the program, as well as issues, concerns, and other significant matters observed.
- The Treasury OCIO’s Director of IT Capital Planning for an update on OCIO’s role in overseeing BSA IT Mod, as well as issues, concerns, and other significant matters.

External to the program:

- We interviewed 16 BSA IT Mod users from 6 agencies within DOJ to determine their level of satisfaction with FinCEN Query. The individuals we interviewed were frequent users of FinCEN Query as identified by DOJ and FinCEN documentation.

We reviewed FinCEN program-related information, including: management reports; minutes from executive, management, and technical meetings; planning documentation; program and project-level documentation, including the results of a 2014 BSA E-filing customer satisfaction survey;¹⁶ FinCEN’s Program Management system which contained defect and requests for change tickets; FinCEN helpdesk log; FinCEN user training plans; FinCEN system performance metrics; and FinCEN presentations to internal and external oversight groups (e.g., Congress, Office of Management and Budget, Treasury OCIO, BSA IT Modernization Executive Group and Executive Steering Committee, and FinCEN management).

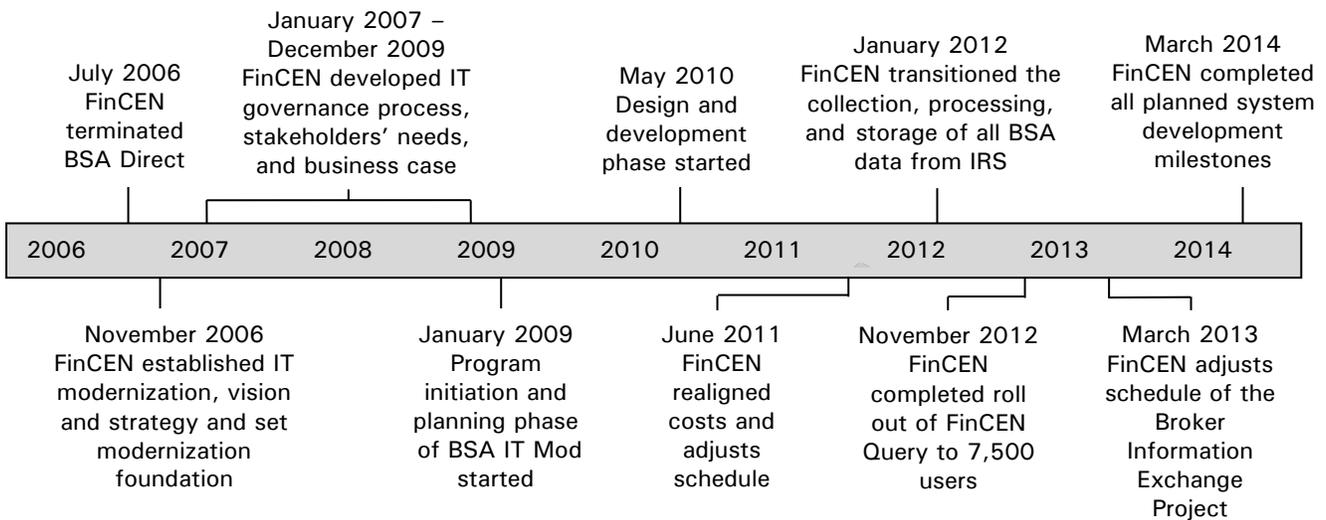
¹⁶ The survey was conducted by a FinCEN contractor. FinCEN provided a contractor with 50,865 e-mail addresses of BSA E-Filing users. The contractor sent the survey to these users in March 2014. The contractor received 5,795 responses, yielding an 11 percent response rate. FinCEN and the contractor developed the survey questionnaire to measure overall satisfaction with the BSA E-filing system, including the reasons for the respondents’ satisfaction. The survey resulted in a satisfaction score that was above the average score for other Federal agency programs.

To substantiate that performance testing had occurred on BSA IT Mod, we interviewed FinCEN officials involved with BSA IT Mod government acceptance testing and reviewed testing-related documentation, including testing plans and status reports. We observed that any testing defects and issues identified during testing were recorded in FinCEN's project management and issues tracking system.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Financial Crimes Enforcement Network’s (FinCEN) efforts to establish a system to manage and house Bank Secrecy Act (BSA) data has been an extensive process. Planning of the BSA Information Technology Modernization (BSA IT Mod) program began after an earlier attempt to establish a similar program failed.¹⁷ Figure 1 provides a timeline of significant events in the BSA IT Mod program.

Figure 1. Timeline of Significant Events in FinCEN’s BSA System Modernization Efforts



Source: OIG review of FinCEN data.

¹⁷ FinCEN terminated BSA Direct Retrieval and Sharing after concluding the project had no guarantee of success. We reviewed that failure and found that FinCEN poorly managed the predecessor project, insufficiently defined functional and user requirements, misjudged project complexity, and established an unrealistic completion date. We also found that the Treasury OCIO did not actively oversee the project, as required by the Clinger-Cohen Act of 1996. Treasury Office of Inspector General (OIG), *The Failed and Costly BSA Direct R&S System Development Effort Provides Important Lessons for FinCEN’s BSA Modernization Program* (OIG-11-057; Jan. 5, 2011).

Projects Included

BSA IT Mod is made up of multiple projects with specific components. The projects are summarized below. All projects were completed as of March 28, 2014.

- System of Record (SOR) provides data storage and architecture for BSA data for 11 years of BSA data.
- Shared Filing Services provides for validation of BSA data with external data sources, such as validation of addresses to U.S. Postal Service data.
- Third Party Data provides the SOR additional BSA data through external data sources such as the financial institution identification number assigned by the Federal Reserve System.
- Bulk Data Dissemination is used for the distribution of large quantities of BSA data to external users.
- Data Conversion converted 11 years of BSA data from an Internal Revenue Service legacy system to FinCEN's new SOR.
- BSA E-Filing is used by BSA filers to submit all required electronic filing of BSA forms to FinCEN.
- FinCEN Query is a tool designed to improve authorized users' ability to access and analyze BSA data. The tool is used by FinCEN internal users and by registered external users and customers to retrieve and analyze BSA data. The tool supports traditional structured BSA data queries, and provides narrative search capabilities and options to coordinate and collaborate with users on queries performed.
- Advanced Analytics provides complex search and retrieval functionality for FinCEN internal users to support their analytical, law enforcement, and regulatory activities. The tool provides advanced analytical capabilities such as geospatial, statistical analysis, social networking, semantic interchange, and visualization capabilities.

- Register User Portal/Identity Management/Access Control Management provides the means for common user interface and authentication process through which both internal and external authorized users gain access to all BSA IT Mod applications.
- Infrastructure provided the design, development, procurement, and implementation of the development and test environments, storage area network(s), and disaster recovery capabilities required to support BSA IT Mod projects.
- Broker Information Exchange provides the Financial Intelligence Repository (FIR), which includes 314a and 314b components. The FIR replaces FinCEN's case management systems—FinDB for investigative cases, and the Customer Management System and other systems for compliance, enforcement, and outreach cases. The first release created FIR and incorporated SharePoint (a Microsoft software application for sharing information) as a mechanism to share case information for both internal and external users. The 314a component allows law enforcement agencies to submit requests through FinCEN to financial institutions for information about financial accounts and transactions of persons or businesses that may be involved in terrorism or money laundering. The 314b component allows financial institutions to share information with one another through FinCEN to identify and report suspicious money laundering or terrorist activities to the federal government. 314a and 314b refer to Section 314 of the USA Patriot Act that requires FinCEN to establish these functionalities.¹⁸
- Alerts provides for an automatic alert to be sent to FinCEN analysts about suspicious activities reported by filers based on pre-defined criteria.

As of June 30, 2014, all BSA IT Mod component projects are completed. Table 1 displays the status of BSA IT Mod by project.

¹⁸ Section 314 of the USA Patriot Act is established under 31 U.S.C. § 5311.

Appendix 2
 Additional Background Information on BSA IT Mod

Table 1. BSA IT Mod Project Schedule Status at June 30, 2014

Project	Planned Completion Date at May 2010¹	Revised Planned Completion Date at June 2011²	Actual Completion Date at June 2014	Project Status at June 2014
SOR				
Release 1	9/30/2011	12/1/2011	12/15/2011	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete
Shared Filing Services				
Release 1	9/30/2011	12/1/2011	12/15/2011	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete
Third Party Data				
Release 1	9/30/2011	12/1/2011	12/15/2011	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete
Data Conversion	12/31/2011	1/1/2012	1/6/2012	Complete
E-Filing				
Release 1	6/30/2011	7/1/2011	7/1/2011	Complete
Release 2	10/31/2011	7/1/2012	7/31/2012	Complete
FinCEN Query				
Release 1	2/28/2012	6/1/2012	7/20/2012	Complete
Release 2	9/30/2012	10/1/2012	11/16/2012	Complete
Advanced Analytics				
Release 1	10/31/2010	10/31/2010	10/31/2010	Complete
Release 2	4/30/2011	4/30/2011	4/30/2011	Complete
Release 3	7/31/2012	9/1/2012	8/1/2012	Complete
SCIF ³	n/a	12/1/2012	11/9/2012	Complete
Register User Portal	3/31/2011	3/31/2011	3/31/2011	Complete
Identity/Access Control Management	3/31/2011	3/31/2011	3/31/2011	Complete
Broker Information Exchange				
314A,B Release 1	5/31/2011	5/31/2011	5/31/2011	Complete
314A,B Release 2 Phase 1	12/31/2012	4/1/2013	9/20/2013 ⁴	Complete
314A,B Release 2 Phase 2 ⁵	n/a	n/a	3/28/2014 ⁴	Complete
Alerts	9/30/2012	1/1/2013	1/4/2013	Complete
Bulk Data Dissemination				
Release 1	9/30/2011	3/1/2012	4/17/2012	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete

Appendix 2
Additional Background Information on BSA IT Mod

Table 1. BSA IT Mod Project Schedule Status at June 30, 2014

Project	Planned Completion Date at May 2010¹	Revised Planned Completion Date at June 2011²	Actual Completion Date at June 2014	Project Status at June 2014
Infrastructure & Portal Security				
Develop and Test	9/30/2010	9/30/2010	9/30/2010	Complete
Release 1	3/31/2011	3/31/2011	3/31/2011	Complete
Release 2	9/30/2011	9/30/2011	9/30/2011	Complete
Release 3	6/30/2012	n/a ⁶	n/a ⁶	n/a ⁷

Source: OIG analysis of FinCEN documentation.

¹ The dates displayed were the initial planned completion dates when in May 2010, FinCEN began the design and development of projects after receiving Office of Management and Budget approval.

² FinCEN submitted a baseline change request to the Treasury CIO to adjust selected project milestone schedule dates and realign costs to keep the overall program on track. The baseline change was implemented in June 2011.

³ A sensitive compartmented information facility (SCIF) has formal access controls and is used to hold information concerning or derived from intelligence sources, methods, or analytical processes, which was not part of the June 2011 baseline change request.

⁴ A baseline change was implemented in March 2013 which adjusted the schedule completion dates.

⁵ Initially, Release 2 of the project was planned as one phase.

⁶ Not applicable - The work planned for Infrastructure release 3 was removed from the project and will be done as part of BSA IT Mod's on-going operations and maintenance.

Funding of the BSA IT Mod

The BSA IT Mod development was funded through \$119.9 million made available from FinCEN's annual Congressional appropriations and through supplemental funding from the Treasury Forfeiture Fund administered by the Treasury Executive Office for Asset Forfeiture (TEOAF). Table 2 displays funding from 2009 through 2013.

Table 2: BSA IT Mod Development Funding Sources (in millions)

Fiscal Year	Congressional Appropriation	Treasury Forfeiture Fund	Total
2009	\$2.5	\$3.7	\$6.2
2010	18.5	11.7	30.2
2011	18.5	11.5	30.0
2012	23.5	6.5	30.0
2013	23.5	0.0	23.5
Total	\$86.5	\$33.4	\$119.9

Source: OIG analysis of FinCEN and TEOAF documentation.

Contractors Engaged by FinCEN

In March 2008, FinCEN awarded a 5-year indefinite delivery, indefinite quantity (IDIQ) contract to BearingPoint, Inc., to support a full range of information technology services, custom applications, maintenance support, and infrastructure support necessary to implement the FinCEN IT operational objectives. Numerous task orders have been issued against the contract including those for the BSA IT Mod program.¹⁹ The contract was subsequently transferred to Deloitte Consulting, LLP (Deloitte).²⁰ The contract ceiling was \$144 million with a minimum of \$1 million over the contract's 5-year life. FinCEN also contracted with MITRE Corporation (MITRE) at a cost of approximately \$2.1 million to provide management guidance, coordination, and evaluation support for BSA IT Mod.²¹ MITRE is a subject matter expert on program and project management, and BSA IT Mod business capabilities.

FinCEN is using the Treasury's Bureau of the Fiscal Service Administrative Resource Center for new contracting services related to BSA IT Mod. FinCEN had previously used the Acquisitions Services Directorate of the U.S. Department of the Interior as the contract office to administer the contract. FinCEN chose this office because of its prior experience handling large, complex procurements.

¹⁹ An IDIQ contract provides for an indefinite quantity of services during a fixed period of time. This type of contract is used when it cannot be predetermined, above a specified minimum, the precise quantities of supplies or services that the government will require during the contract period. IDIQ contracts are most often used for service contracts and architect-engineering services. An IDIQ contract is flexible, especially when not all the requirements are known at the start of a contract and is conducive to a modular approach, which would be one with phases or milestones.

²⁰ The IDIQ contract was transferred from BearingPoint, Inc. to Deloitte on October 1, 2009 after Deloitte purchased substantially all of the assets of Bearing Point, Inc., Public Service Division.

²¹ MITRE is a not-for-profit organization chartered to work in the public interest with expertise in systems engineering, information technology, operational concepts, and enterprise modernization. Among other things, it manages federally funded research and development centers, including one for Internal Revenue Service (IRS) and U.S. Department of Veterans Affairs (the Center for Enterprise Modernization). Under Treasury's existing contract with MITRE, Treasury and its bureaus, with permission of the IRS sponsor, may contract for support in the following task areas: strategic management, technical management, program and project management, procurement, and evaluation and audit to facilitate the modernization of systems and their business and technical operation.

FinCEN officials told us that Deloitte's 5-year IDIQ contract ended in March 2013; however, the Acquisitions Services Directorate allowed a 6-month extension to September 2013 and allowed FinCEN to extend various task orders under the IDIQ contract. During the audit period, Deloitte completed development of the Broker Information Exchange and then stayed on to resolve system defects until the expiration of its task order on April 30, 2014. As of June 30, 2014, Deloitte's only remaining involvement with the BSA IT Mod program is as a subcontractor under NavStar, the infrastructure contractor.

As of June 30, 2014, the current BSA IT Mod contracts in place are as follows:

- In September 2010, a contract was awarded to Universal Consulting Services, Inc. for application service desk support. It is a 6-month contract with five 1-year extensions. The contract awards a minimum of \$500,000 and has ceiling of \$23 million.
- In August 2013, a contract for BSA IT Mod network support was awarded to NavStar, as a 2.5-year firm-fixed-contract. The contract awards \$2.064 million in the 6-month base year and has a contract ceiling of \$9.3 million. Deloitte's task order under its IDIQ contract for network support ended in September 2013.
- In September 2013, a contract for BSA IT Mod program management support was awarded to Total Systems Technologies Corporation, as a 3-year firm-fixed-price contract. The contract awards \$750,761 in the base year and has a total contract ceiling of \$2.279 million. Deloitte continued its support program management during the transition until the expiration of Deloitte's contract at the end of December 2013.
- In November 2013, a contract for operations and maintenance was awarded to Northrup Grumman. It is a 6-month contract with three 1-year extensions with a total value of \$22,823,940.



September 16, 2014

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FREEDMAN

FROM: Jennifer Shasky Calvery /s/
Financial Crimes Enforcement Network

SUBJECT: *Management Response to the Draft Report –FinCEN Completed the
BSA IT Modernization Program Within Budget and Schedule*

Thank you for the opportunity to review the final report on FinCEN's development of the BSA IT Modernization Program. Once again, I appreciate the recognition that the four-year program was completed within budget and on schedule. We are pleased that we were able to successfully deliver the milestones in this program, which provides the critical foundation for FinCEN's complex mission.

FinCEN looks forward to continuing its engagement with stakeholders, both internal and external, to gather feedback, prioritize efforts, and address user needs throughout the operations and maintenance phase. If you have any questions or need additional information, please contact Becky Martin, Assistant Director, Office of Financial Management, on 703-905-3860.

www.fincen.gov

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Department of the Treasury

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Under Secretary for Terrorism and Financial Intelligence
Chief Information Officer
Office of Strategic Planning and Performance Management
Office of the Deputy Chief Financial Officer, Risk and Control
Group

Financial Crimes Enforcement Network

Director

Office of Management and Budget

OIG Budget Examiner

U.S. Senate

Chairman and Ranking Member
Committee on Appropriations
Chairman and Ranking Member
Subcommittee on Financial Services and General Government
Committee on Appropriations

U.S. House of Representatives

Chairman and Ranking Member
Committee on Appropriations

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Committee on Appropriations