



# Audit Report



OIG-13-053

TERRORIST FINANCING/MONEY LAUNDERING: FinCEN's BSA IT Modernization Program Was within Budget and on Schedule But Users Suggest Enhancements

September 25, 2013

Office of  
Inspector General

Department of the Treasury

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## Abbreviations

BCR	baseline change request
BSA	Bank Secrecy Act
BSA Direct	BSA Direct Retrieval and Sharing
BSA IT Mod	BSA Information Technology Modernization Program
CIO	Chief Information Officer
FinCEN	Financial Crimes Enforcement Network
H. Rept.	House Report
IRS	Internal Revenue Service
IT	Information Technology
MITRE	MITRE Corporation
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
SOR	system of record
TEOAF	Treasury Executive Office of Asset Forfeiture

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*The Department of the Treasury  
Office of Inspector General*

September 25, 2013

Jennifer Shasky Calvery, Director  
Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) administers the Bank Secrecy Act (BSA), which established the framework to combat criminal use of the financial system. BSA requires financial institutions to report certain financial transactions made by their customers. FinCEN oversees the management, processing, storage, and dissemination of BSA data. In November 2006, FinCEN began a system development effort, the BSA Information Technology Modernization Program (BSA IT Mod), to improve the collection, analysis, and sharing of BSA data. The intent of the effort was, among other things, to transition BSA data from the Internal Revenue Service (IRS) to FinCEN. BSA IT Mod is estimated to cost \$120 million and is to be completed in 2014.

Pursuant to a Congressional directive, we conducted the fourth in a series of audits of FinCEN's BSA IT Mod.<sup>1</sup> Consistent with the Congressional directive, the objectives of the audit were to determine if FinCEN is (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 2013. We interviewed FinCEN program officials, Treasury's Office

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<sup>1</sup> 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. Our prior three reports issued under this 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).

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of Chief Information Officer (OCIO) officials, and a number of BSA IT Mod system users. We interviewed representatives from Deloitte Consulting, LLP (Deloitte), and MITRE Corporation (MITRE), the contractors involved with the program.<sup>2</sup> We also reviewed applicable program documentation. We performed our fieldwork from April 2013 through July 2013. 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 March 2013, we reported on FinCEN's BSA IT Mod as of December 2012.<sup>3</sup> We found that BSA IT Mod program was proceeding mostly on schedule and within budgeted cost. Program development met all major milestones but the planned completion dates for certain projects were extended when project staffing resources were re-allocated to resolve data quality issues. Although the program as a whole was within budget, the costs for some discrete projects exceeded initial budgeted amounts. We also reported that FinCEN tested the performance of BSA IT Mod projects that were completed as of our review, and resolved significant issues identified during testing. Additionally, we reported that FinCEN users began experiencing performance issues with the FinCEN Query tool,<sup>4</sup> including searches yielding incomplete data. FinCEN attributed this problem to the search engine software and resolved the problem shortly after our fieldwork was completed. We cautioned in our March 2013 report that risks remained to BSA IT Mod, including the interdependency between the component projects. Another risk we identified was the differences among users' needs and how FinCEN must consider, prioritize, and accommodate those needs. Some users also reported that BSA IT Mod features were challenging to use.

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<sup>2</sup> FinCEN contracted with Deloitte to oversee the systems development and integration effort. Deloitte is 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.

<sup>3</sup> *FinCEN's BSA IT Modernization Program Met Milestones with Schedule Extensions* (OIG-13-036; Mar. 28, 2013).

<sup>4</sup> FinCEN Query is used by FinCEN internal users and by registered external users and customers to retrieve and analyze BSA data.

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## Results in Brief

As of June 2013, we found that the BSA IT Mod program was within budgeted costs and that all planned milestones were completed except one, the Broker Information Exchange project.<sup>5</sup> The schedule for this milestone, the last one for the BSA IT Mod program, was modified to incorporate phases and adjusted from April 2013 to April 2014 because of a reorganization of FinCEN that required additional time to define the project's requirements and align with the new organization areas and priorities.

FinCEN Query users from law enforcement and regulatory agencies we interviewed were generally satisfied with the system, but expressed some limitations and suggested enhancements. FinCEN analysts we interviewed told us that Advanced Analytics<sup>6</sup> met their needs though it was somewhat complex and believed additional training would be beneficial.

The BSA IT Mod program had progressed from the development phase to the operations and maintenance phase. That said, there was a continued risk to the remaining project development work with the program's high-level of dependency between its component projects. The effect of programming changes in any component could require programming changes to other components of the system. Another risk is how users' needs differ and how FinCEN must consider, prioritize, and accommodate those differences. In this regard, FinCEN's continued attention will be necessary as FinCEN Query and Advanced Analytics users become more familiar with the system and may request changes, enhancements, and support. In our future audit work under the Congressional directive, we plan to assess FinCEN's efforts in meeting these BSA IT Mod challenges.

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<sup>5</sup> The Broker Information Exchange project is to provide a mechanism to share case information for both internal and external users. It also is to have the capability to allow (a) 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 and (b) financial institutions to share information with one another through FinCEN to identify and report suspicious money laundering or terrorist activities to the federal government.

<sup>6</sup> Advanced Analytics provides complex search and retrieval functionality such as statistical analyses for FinCEN internal users to support their analytical, law enforcement, and regulatory activities.

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We also found that the level of program oversight by FinCEN and Treasury OCIO had not changed since our previous report, and we consider the level of oversight to be appropriate.

We are recommending that FinCEN (1) when making changes to BSA IT Mod, communicate the changes to users; (2) continue to engage users to address their concerns and suggested enhancements to BSA IT Mod through the Data Management Council (DMC)<sup>7</sup> and periodically communicate the status of these suggestions to users; and (3) ensure that training and support is provided to internal and external BSA IT Mod users that addresses their business needs.

In its management response, which is provided in appendix 3, FinCEN concurred with our recommendations. Its actions, both taken and planned, are summarized in the Recommendations section of this report and meet the intent of the recommendations. With regard to FinCEN Query, FinCEN noted that this new query system is a robust tool built using modern web search technology that allows users to search BSA data more comprehensively than before. As users learn how to use and leverage these new capabilities in their own environments, FinCEN management believes that it will continue to identify changes and enhancements they would like to see in the system. FinCEN will work with its stakeholders to identify and discuss ways to balance the respective business priorities of the user community and enhance FinCEN Query now and in years ahead.

## Findings

### Finding 1 **BSA IT Mod Program Was within Budgeted Costs with One Milestone Remaining**

As of June 2013, we found that BSA IT Mod program was within budgeted costs and that all milestones were completed except for

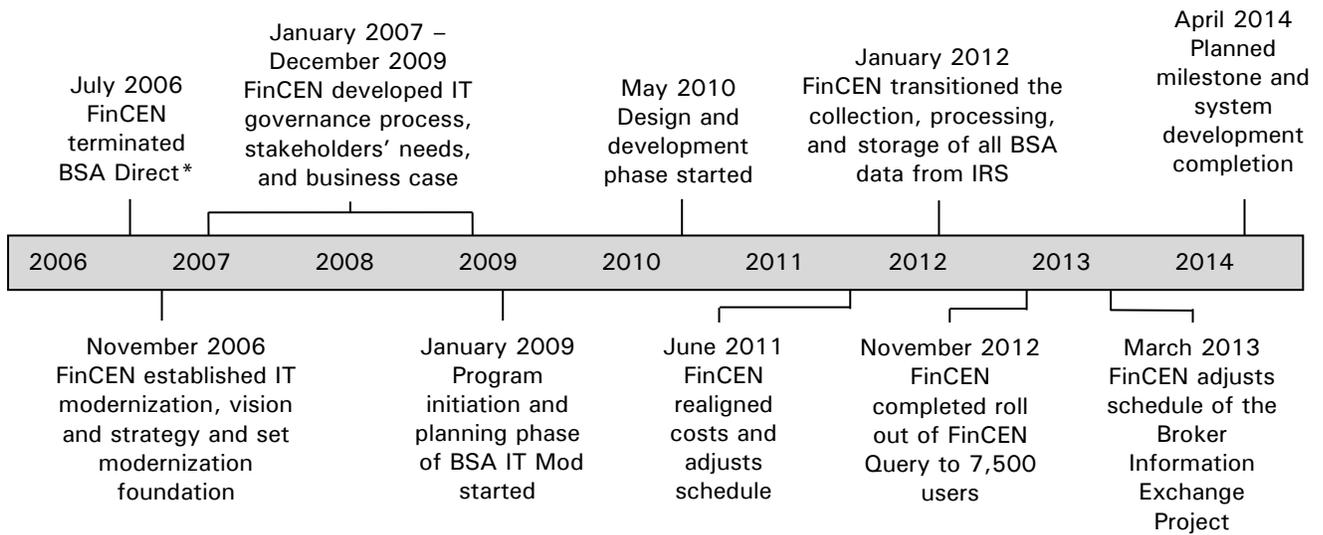
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<sup>7</sup> The DMC provides a forum for internal and external stakeholders to communicate their organizations' views to FinCEN. These members provide input on system and data-related topics including request for changes, data-related issues, and system defects. According to FinCEN, the DMC will be involved in prioritizing enhancements and defects that will be addressed as part of future releases. In addition, FinCEN's Investment Review Board sets the priorities for FinCEN, which will also dictate what is included in each release.

the Broker Information Exchange project. The schedule for this final project was modified to incorporate phases and adjusted from April 2013 to April 2014. Additional time was required to define the project's requirements and align with the new organization and its priorities.

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.

\*FinCEN terminated BSA Direct Retrieval and Sharing (BSA Direct) 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).

### Final Project Date Extended

As of June 30, 2013, FinCEN met all but one of the major BSA IT Mod milestones, Broker Information Exchange. In March 2013, the Treasury OCIO approved a FinCEN baseline change request (BCR) to split the program's final project, release 2 of the Broker Information Exchange, into two phases and to extend the completion date from April 2013 to April 2014. The BCR did not change the Broker Information Exchange project's budgeted costs.

FinCEN BSA IT Mod program management officials and MITRE officials told us that the completion date for Broker Information Exchange was extended because of FinCEN's reorganization implemented in June 2013. More time was necessary as the FinCEN personnel needed to define the project's requirements were transitioned into new roles within the organization. Additionally, because of the reorganization, time was needed to both revalidate existing requirements and ensure new requirements were captured.

BSA IT Mod program officials told us that FinCEN's reorganization and the resulting change in management could pose additional risk to the Broker Information Exchange project. Specifically, there is a possibility that management may make changes to the project that were not originally planned, which could increase its cost and schedule.

Table 1 displays the status of BSA IT Mod by project. Appendix 2 provides descriptions for the various projects.

**Table 1: BSA IT Mod Project Schedule Status as of June 30, 2013**

<b>Project</b>	<b>Planned Completion Date at May 2010<sup>1</sup></b>	<b>Revised Planned Completion Date at June 2011<sup>2</sup></b>	<b>Actual or Planned Completion Date at June 2013<sup>3</sup></b>	<b>Project Status at June 2013</b>
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 <sup>4</sup>	n/a	12/1/2012	11/9/2012	Complete
Register User Portal	3/31/2011	3/31/2011	3/31/2011	Complete

**Table 1: BSA IT Mod Project Schedule Status as of June 30, 2013**

<b>Project</b>	<b>Planned Completion Date at May 2010<sup>1</sup></b>	<b>Revised Planned Completion Date at June 2011<sup>2</sup></b>	<b>Actual or Planned Completion Date at June 2013<sup>3</sup></b>	<b>Project Status at June 2013</b>
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	8/1/2013 <sup>5</sup>	Ongoing
314A,B Release 2 Phase 2 <sup>6</sup>	n/a	n/a	4/1/2014 <sup>5</sup>	Ongoing
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
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 <sup>7</sup>	n/a <sup>7</sup>	n/a <sup>7</sup>

Source: OIG analysis of FinCEN documentation.

<sup>1</sup>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.

<sup>2</sup> FinCEN submitted a BCR 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.

<sup>3</sup> Dates represent the actual completion dates if the project was completed, or the planned completion date as of the cutoff date of our review (June 30, 2013).

<sup>4</sup> 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. FinCEN plans to provide its SCIF with advanced analytics capability, which was not part of the May 2010 initial plan but was part of the June 2011 BCR.

<sup>5</sup> A baseline change was implemented in March 2013 which adjusted the schedule completion dates. We plan to determine the status and report on this milestone in our next semiannual report pursuant to H. Rept. 112-331.

<sup>6</sup> Originally, the project did not have two phases.

<sup>7</sup> 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.

During the audit period, FinCEN completed the Alerts project. The project was completed within budgeted costs and near schedule—the milestone date was missed by only 3 days. FinCEN released Alerts to its internal users in a pilot program to test the effectiveness of the business rules developed.<sup>8</sup> FinCEN officials had not decided when, or to what extent, Alerts will be released to external users.

### **BSA IT Mod Stayed within Budgeted Costs**

As of June 30, 2013, FinCEN reported that it spent approximately \$96 million developing BSA IT Mod from its overall \$120 million, 4-year planned budget. Not included in this amount was approximately \$11.2 million in initial program planning costs, which we addressed in our March 2012 report. In that regard, FinCEN’s actual program costs incurred through June 2013 were approximately \$107.2 million. A breakdown by category of the actual costs incurred is provided in Table 2 below.

**Table 2: BSA IT Mod Costs as of June 30, 2013 (in millions)**

<b>Category</b>	<b>Amount</b>
Initial Planning	\$11.2
Development	
Hardware and Software	10.3
Contractor Services	44.2
Other <sup>1</sup>	14.7
Operations and Maintenance <sup>2</sup>	20.3
FinCEN staffing costs <sup>3</sup>	6.5
<b>Total</b>	<b>\$107.2</b>

Source: OIG analysis of FinCEN data.

<sup>1</sup> Other costs are comprised of (1) program management and program engineering performed by Deloitte and MITRE, (2) a contract office fee of 4 percent for the Department of the Interior’s National Business Center Acquisition Services Directorate for support of the BSA IT Modernization Program, and (3) a management reserve for potential additional work to be performed within the authorized work scope of the contract or to accommodate rate changes for future work.

<sup>2</sup> Operations and Maintenance costs are comprised of hosting costs by the Treasury’s Bureau of the Fiscal Service, hardware and software maintenance support, network support, application support, and the application help desk costs.

<sup>3</sup> Staffing costs are estimated based on FinCEN’s Exhibit 300 submissions to the Office of Management and Budget. FinCEN does not track the staffing costs associated with BSA IT Mod.

<sup>8</sup> Alerts provides continuous monitoring of BSA Data and provides users electronic notifications of any matches against a business rule such as the Federal Bureau of Investigation’s most wanted list.

FinCEN is funding BSA IT Mod through \$119.9 million made available in its annual congressional appropriations and through supplemental funding from the Treasury Forfeiture Fund administered by the Treasury Executive Office of Asset Forfeiture (TEOAF). TEOAF provided funding for the BSA IT Mod Program consistent with its authority to provide funds for law enforcement-related expenditures.<sup>9</sup> Table 3 below identifies the program's funding sources by year.

**Table 3: BSA IT Mod Funding Sources as of June 30, 2013**  
(in millions)

<b>Fiscal Year</b>	<b>Congressional Appropriation</b>	<b>Treasury Forfeiture Fund</b>	<b>Total</b>
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
<b>Total</b>	<b>\$86.5</b>	<b>\$33.4</b>	<b>\$119.9</b>

Source: OIG analysis of FinCEN and TEOAF documentation.

## **Finding 2**

### **BSA IT Mod Is Generally Meeting User Needs But Users Suggest Further Enhancements**

BSA IT Mod continued its transition from the project development phase to the operations and maintenance phase. The final milestone project, Broker Information Exchange, will be tested as it approaches its April 2014 completion date. FinCEN Query users from law enforcement and regulatory agencies we interviewed were generally satisfied with the system, but they expressed concerns about some limitations they experienced with the tool and suggested enhancements. FinCEN analysts found that Advanced Analytics met their needs though they found it somewhat complex and believed additional training would be beneficial.

<sup>9</sup> The Treasury Forfeiture Fund, which is the receipt account for the deposit of non-tax forfeitures made as a result of 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 this 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.

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## **Performance Testing of BSA IT Mod Projects**

FinCEN continued its transition from project development to the operations and maintenance phase of BSA IT Mod. FinCEN conducted government acceptance testing of all BSA IT Mod projects during previous audit periods except for the final project, Broker Information Exchange, which was still in development. FinCEN plans to test Broker Information Exchange as it progresses toward completion, planned for April 2014.

During this ongoing operations and maintenance effort, FinCEN consolidated all ongoing and new issues involving BSA IT Mod. This includes unresolved defects and change requests to be addressed in future project releases. FinCEN and MITRE considered all open defects to be of low severity, meaning that the defects would not significantly impair program performance or functionality.<sup>10</sup>

In our last audit, we reported that FinCEN Query had been experiencing service interruptions. According to FinCEN program management officials and program documentation, this issue was resolved in March 2013. The issue was created by a software defect and FinCEN worked with the software vendor to repair the problem. FinCEN officials told us that there have been no further issues caused by this defect.

## **Users Largely Satisfied with FinCEN Query and Suggested Enhancements**

During our audit period, approximately 10,600 users from various law enforcement and regulatory agencies had access to FinCEN Query and made approximately 2.4 million queries. We interviewed a total of 46 users from 11 government agencies, consisting of 7 regulatory agencies<sup>11</sup> (34 users) and 4 law enforcement agencies

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<sup>10</sup> FinCEN logs and prioritizes all defects, requests for change and enhancements as well as necessary fixes to repair system functionality. As of June 25, 2013, FinCEN had 153 requests for changes and enhancements and 275 open defects, which FinCEN continued to address.

<sup>11</sup> The regulatory agencies were Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, National Credit Union Administration, IRS's Small Business/Self-Employed Unit, Security Exchange Commission, and Commodity Futures Trading Commission.

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(12 users),<sup>12</sup> to determine their level of satisfaction with FinCEN Query.<sup>13</sup> The users we spoke with were largely satisfied. Users told us that the system provided quick results to simple searches, although some users said that more complex searches took longer. Users also told us that they liked FinCEN Query's features and functionality, such as the capability to import lists into the search criteria and to build more complex searches.

Certain users we spoke with did identify some limitations with FinCEN Query, or cited the need for enhancements, as discussed below. FinCEN officials told us that they have begun to re-engage users through the DMC to address and prioritize these and other suggested enhancements. FinCEN wanted users to have time to become familiar with the system before re-engaging them on the data management process, which includes enhancement requests.<sup>14</sup>

#### *Difficulties Importing BSA IT Mod Data*

Users with four regulators said that they were having difficulties importing the data from FinCEN Query into their internal systems because the format of the imported data was incompatible. The users told us that the inability to download data into their internal systems had impeded their ability to analyze the data for, among other things, trends.

Users with two regulators told us that they had created tools to convert the BSA data downloaded from FinCEN Query to a format recognized by their internal systems, such as their bank examination systems. In this regard, one user told us that any changes FinCEN subsequently makes to BSA IT Mod could impact the regulator's ability to convert downloaded BSA data for use in

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<sup>12</sup> The law enforcement agencies were IRS's Criminal Investigation Division, U.S. Immigration and Customs Enforcement, U.S. Secret Service, U.S. Customs and Border Protection, and Massachusetts State Police.

<sup>13</sup> We also contacted the Department of Justice in the attempt to obtain feedback from BSA IT Mod users within its various components agencies. However, the user interviews could not be coordinated in time for this audit. We plan to continue reaching out to Justice for their feedback during our next audit of BSA IT Mod.

<sup>14</sup> During our audit period, FinCEN initiated a survey to approximately 8,000 users. It expects to finalize the survey results in September 2013. We plan to review the results of the survey during the next BSA IT Mod audit.

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its examination applications, and that it was therefore important that FinCEN communicate changes to the users.

#### *FinCEN Query Limitations*

Users with both regulators and law enforcement agencies said that FinCEN Query search results do not display all BSA IT Mod data fields, such as the narrative field on the Suspicious Activity Report (SAR). Additionally, one law enforcement user told us that certain data fields existing within BSA IT Mod could not be searched, such as “port of entry.”

Users also told us that FinCEN Query search results were challenging to sort in Microsoft Excel.<sup>15</sup> Because of data format limitations, a search of a subject name for example could yield multiple subject names grouped in a single data cell which makes sorting and analysis difficult.

#### *Number of Downloadable Records is Limited*

Users with regulators told us that the number of data records that can be downloaded from FinCEN Query is limited to 10,000.<sup>16</sup> Because of this limit, examiners have to divide downloads into multiple segments, which is time consuming and impedes the efficiency of their examinations because there can be upwards to 400,000 records for large financial institutions.

According to these users, the capability to download a larger number of records was a business requirement they had requested from FinCEN during the BSA IT Mod requirements phase. FinCEN’s BSA IT Mod program management officials told us that the number of records was limited to avoid the system being slowed down by users downloading large numbers of records. FinCEN’s BSA IT Mod Program manager stated that there has been little evidence that the majority of users would need to download more than 10,000 records at one time.

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<sup>15</sup> FinCEN Query search results are exportable only into Microsoft Excel for analysis.

<sup>16</sup> A data record is a single BSA report such as a Suspicious Activity Report and contains all the data associated with the filing.

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### *Agencies' Ability to Monitor or Limit Use of FinCEN Query*

Users told us that there is no mechanism to allow their BSA IT Mod administrators to monitor staff use of FinCEN Query or to limit access to particular features to prevent potential misuse of FinCEN Query and ensure that BSA data is safeguarded. FinCEN program management officials told us that they did not believe that this was an issue that needed to be resolved, but that they would make a concerted effort to better explain to BSA IT Mod administrators how to monitor and limit access to the new system. We plan to evaluate user monitoring controls and guidance provided by FinCEN during our next audit of BSA IT Mod.

### *Opinions of FinCEN's Responsiveness to Inquiries Varied*

Overall, users were satisfied with FinCEN's Application Help Desk's responsiveness to their general inquiries concerning BSA IT Mod.<sup>17</sup> However, some users told us that FinCEN could be more forthcoming with information concerning system changes or defects that had been communicated to FinCEN. These users told us, for example, that FinCEN did not communicate when or how certain issues had been or would be resolved.

FinCEN program management officials told us that FinCEN needed time to resolve defects and incorporate system enhancements to address the users' problems.

### *Additional Training Needed*

Almost all of the users we spoke with said that they could use more training on FinCEN Query. The users had primarily received online training and thought that more traditional, instructor-led training that was specifically geared for their business needs, would be helpful.<sup>18</sup>

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<sup>17</sup> Users reported their problems to FinCEN's Application Help Desk for resolution. The calls were listed in a log and assigned a "ticket" number. If the issue could be resolved expediently or required urgent system fixes to restore functionality, FinCEN immediately notified the users to resolve their problems. If the users' problems required more time to resolve, such as relating to a system defect or change not requiring an immediate fix, FinCEN prioritized these for consideration in future system releases.

<sup>18</sup> Online training included live Webinars, training modules, job aides, and access to FinCEN Query's user manual.

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### *FinCEN Analysts Find Advanced Analytics Challenging To Use*

We spoke with nine internal FinCEN analysts about their experiences with FinCEN Query and Advanced Analytics. Overall, the users told us that the applications were meeting their needs, but those analysts who used Advanced Analytics found it challenging. Analysts told us that a more comprehensive understanding of both the application and underlying data structure is needed, as is continued assistance from Deloitte's support team. To address these challenges, analysts believed that additional training and experience with the tool was needed.

### **Risks Remain to BSA IT Mod's Successful Completion**

Similar to what we reported in March 2013, there is a continued risk with the program's high-level of dependency between its component projects. The effect of programming changes in any component may require programming changes to other components of the system.

There is also continued balance as to how the needs of various users will be considered, prioritized, and accommodated. In this regard, FinCEN's continued attention will be critical as FinCEN Query and Advanced Analytics users become more familiar with the system and may request changes, enhancements, and support must be determined.

## **Finding 3      Oversight of BSA IT Mod Continued**

In our March 2013 report, we reported that FinCEN maintained oversight of BSA IT Mod. FinCEN Program Management Office officials continued to provide technical assistance of BSA IT Mod configuration management, as this was considered more important to the program's success than was conducting independent assessments.<sup>19</sup> We also found Treasury OCIO's monitoring of the program was appropriate based on the overall positive track record

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<sup>19</sup> Configuration management is a process for establishing and maintaining consistency of a system's performance and functional and physical attributes with its requirements, design, and operational information throughout its life. The process includes the detailed recording and updating of information that describes an enterprise's hardware and software. It allows computer technicians to see what is currently installed, make a more informed decision about upgrades needed, and make sure any changes made to one system do not adversely affect any of the other systems.

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by FinCEN managing the BSA IT Mod development effort. During our current audit, we found that the level of program oversight exercised by FinCEN and Treasury OCIO had not changed since our previous report. Also, not unexpectedly as the development effort moves to operations and maintenance, MITRE and Deloitte are providing less support to FinCEN's BSA IT Mod program management.

### **FinCEN Oversight**

Deloitte continued to provide FinCEN with monthly BSA IT Mod program management reviews focused on the program status using Earned Value Management and provided a forum for discussing the risks and risk mitigation plans.<sup>20</sup> In the future, FinCEN program management reviews will focus on the remaining milestone project and related operations and maintenance work. We were told by MITRE officials that FinCEN is managing the program in an acceptable manner and that they had no significant concerns.

### **Treasury OCIO Oversight**

In our previous audit, we found Treasury OCIO's monitoring of the program appropriate given the overall positive track record by FinCEN managing the BSA IT Mod development effort. During this audit, we found Treasury OCIO continues to monitor FinCEN monthly data submissions to identify potential issues and performs macro-level reviews including trend analysis. The office also implemented quarterly investment status meetings with FinCEN, and plans to institute a new practice of conducting a post implementation review upon the program's completion.<sup>21</sup>

Similar to what we reported in March 2013, Treasury OCIO officials told us that the program was performing well, they were satisfied with the level and quality of BSA IT Mod program data provided by FinCEN, and they were satisfied with FinCEN's

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<sup>20</sup> Earned Value Management measures the value of work accomplished in a given period. Differences in these values are measured in both cost and schedule variances. Explanations must be provided for variances of 10 percent and are subject to corrective action plans, BCRs, or termination. The use of Earned Value Management satisfies Office of Management and Budget requirements on programs classified as major acquisitions as well IT projects. FinCEN contracted with MITRE to provide an independent validation to ensure the accuracy of Earned Value Management data.

<sup>21</sup> The post implementation review will evaluate whether the system works as originally planned.

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management of the program. Treasury OCIO changed their overall program rating on the IT Dashboard from “medium risk” to “moderately low risk” because the BSA IT Mod program was close to completion and there is a less stringent schedule for the final project.

As we reported in our previous audits of BSA IT Mod, the Treasury CIO is a member of both the BSA IT Mod Modernization Executive Group and Executive Steering Committee, which meets on a quarterly basis or when a major decision or approval is sought. During this audit, Treasury OCIO governance was primarily conducted through Executive Steering Committee e-mails related to the closure of the Alerts project milestone and the BCR to divide the Broker Information Exchange into two phases and to extend the completion date.

In summary, we believe that the oversight by FinCEN management and Treasury OCIO during this audit period was appropriate given the overall positive track record by FinCEN in managing its BSA IT Mod development effort. We plan to continue to review program oversight exercised in our future audits of the program.

## Recommendations

We recommend the FinCEN Director:

1. When making changes to BSA IT Mod, communicate the changes to users.

### Management Response

Representatives from federal regulatory and law enforcement agencies that use FinCEN Query participate in FinCEN monthly DMC meetings. FinCEN will continue to communicate system changes and release updates at the monthly DMC meetings, as well as continue to make announcements and information available via the FinCEN Portal.<sup>22</sup>

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<sup>22</sup>The FinCEN Portal is the gateway for authorized federal, state, and local law enforcement and regulatory users to access BSA data, reports, secure e-mail, training, and help resources.

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### OIG Comment

The above commitment by FinCEN meets the intent of our recommendation.

2. Continue to engage users to address their concerns and suggested enhancements to BSA IT Mod through the DMC and periodically communicate the status of these suggestions to users.

### Management Response

FinCEN uses the DMC as the forum to discuss the business impacts of system issues and suggested changes or enhancements raised by users. FinCEN will continue to use the DMC in this manner to inform the Investment Review Board as it prioritizes work efforts throughout operations and maintenance.

### OIG Comment

The above commitment by FinCEN meets the intent of our recommendation.

3. Ensure that training and support is provided to internal and external BSA IT Mod users that address general as well as unique business needs.

### Management Response

For the FinCEN Query tool, FinCEN currently has modular, web-based training, online help, a quick reference guide, and 10 job aids available to users on the FinCEN Portal. FinCEN has held 26 webinars and 48 in-person training courses, in addition to various hands-on training during separate inspection visits. For the Advanced Analytics tool used by FinCEN analysts, FinCEN conducted instructor-led training prior to deployment. In addition, FinCEN brought in the vendor for 11 onsite training courses and conducted approximately 12 brown bag sessions to demonstrate new capabilities and respond to questions. FinCEN does recognize the need for additional educational support to its user community and commits to developing a comprehensive, sustainable training plan that targets external users, as well as

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FinCEN analysts. The estimated completion date is February 2014.

OIG Comment

The above actions taken and planned by FinCEN meet the intent of our recommendation.

\* \* \* \* \*

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) 223-8640 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,<sup>23</sup> this is the fourth 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, and determined how the system was meeting the users' needs. We determined the status of the program's cost, schedule, and performance through June 30, 2013.

To accomplish our objective, we interviewed officials with FinCEN, Department of the Treasury's Office of the Chief Information Officer (OCIO), and FinCEN's contractors. We also interviewed various BSA IT Mod users internal and external to FinCEN. In addition, we reviewed applicable program documentation. We performed our fieldwork from April 2013 through July 2013.

At FinCEN, we interviewed:

- The Chief Information Officer (CIO), Chief Technology Officer (CTO), and the 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 Assistant Director and staff for FinCEN's Project Management Office to obtain an understanding of their level of involvement with program oversight and to gain their perspective on the program's status in terms of cost, schedule, and performance.
- The project managers, project leaders, and contracting officer representatives responsible for each BSA IT Mod project to obtain an understanding of their perspective, level of involvement, schedule and performance concerns, and overall progress of their respective projects.

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<sup>23</sup> House Report (H. Rept.) 112-331

- The Acting Associate Director for Intelligence to obtain an understanding of the extent to which FinCEN analysts use Advanced Analytics.

External to FinCEN, we interviewed the following officials:

- Deloitte LLP's Managing Director and Deloitte's Program Manager and Analyst for Earned Value Management for BSA IT Mod to obtain an update on their perspective of BSA IT Mod and ascertain the program's status. These interviews were conducted at the contractor's office in Rosslyn, Virginia.
- 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. These interviews were conducted at a MITRE office in McLean, Virginia.
- 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.
- The Internal Revenue Service's (IRS) Modernization, Information Technology and Security Services Division to identify any concerns they may have regarding BSA IT Mod.
- U.S. Customs and Border Protection officials to determine the status of agency system upgrade that would allow the agency to receive bulk BSA data directly from FinCEN instead of IRS' legacy system for BSA data.

We interviewed a total of 46 BSA IT Mod users. The individuals selected for interview were among the more frequent users of BSA IT Mod according to FinCEN documentation. Our interviews included users with seven regulatory agencies (34 users) and four law enforcement agencies (12 users) to understand how they use FinCEN Query and if it was meeting their needs. The regulatory agencies represented by the users interviewed were Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Federal Reserve Board, National Credit Union

Administration, IRS's Small Business/Self-Employed Unit, Security Exchange Commission, and Commodity Futures Trading Commission. Law enforcement agencies represented by the users interviewed were IRS Criminal Investigation Division, U.S. Immigration and Customs Enforcement, U.S. Secret Service, and Massachusetts State Police. We also interviewed 9 FinCEN analysts to understand how they used Advanced Analytics and if it was meeting their needs.

We reviewed FinCEN program-related information, including: management reports; minutes from executive, management, and technical meetings; planning documentation; program and project level documentation; and FinCEN presentations to internal and external oversight groups (e.g., Congress, Office of Management and Budget, Treasury OCIO, BSA IT Mod Modernization Executive Group and Executive Steering Committee, and FinCEN management).

We reviewed program management briefings and status reports, internal and external program performance assessment reports, and related documentation to assess program performance status, risks, and issues.

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.

## Projects Included

The Bank Secrecy Act (BSA) Information Technology Modernization Program (BSA IT Mod) is made up of multiple projects with specific components. The projects are summarized below. All projects except for Broker Information Exchange were completed as of June 30, 2013.

- 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.
- 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 the 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 future 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, and 314A and 314B components. The Financial Intelligence Repository project is to replace FinCEN's case management systems—FinDB for investigative cases, and the Customer Management System for compliance cases. The first release of the Financial Intelligence Repository project is to create the Financial Intelligence Repository and incorporates 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 of establish these functionalities.<sup>24</sup> The project is ongoing as of June 2013.
- Alerts provides for an automatic alert to be sent to FinCEN analysts about suspicious activities reported by filers based on pre-defined criteria.

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<sup>24</sup> Section 314 of the USA Patriot Act is established under 31 U.S.C. § 5311.

### **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.<sup>25</sup> The contract was subsequently transferred to Deloitte Consulting, LLP (Deloitte).<sup>26</sup> The contract ceiling is a maximum of \$144 million and a minimum of \$1 million over the contract's 5-year life. FinCEN also contracted with MITRE Corporation (MITRE) at a cost of approximately \$1.5 million to provide management guidance, coordination, and evaluation support for BSA IT Mod.<sup>27</sup> MITRE is a subject matter expert on program and project management, and BSA IT Mod business capabilities.

FinCEN is using 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. At the time of our audit, FinCEN was transitioning away from using Acquisitions Services Directorate for new contracting services related to BSA IT Mod to Treasury's Bureau of the Fiscal Service Administrative Resource Center. This transition is expected to be complete by December 2013.

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<sup>25</sup> 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.

<sup>26</sup> 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.

<sup>27</sup> 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 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.



DEPARTMENT OF THE TREASURY  
FINANCIAL CRIMES ENFORCEMENT NETWORK

September 20, 2013

**MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FREEDMAN**

**FROM:** Jennifer Shasky Calvery /s/  
**SUBJECT:** *Management Response to the Draft Report –FinCEN’s BSA IT Modernization Program Was Within Budget and On Schedule, But Users Suggest Enhancements*

Thank you for the opportunity to review the Office of Inspector General (OIG) draft audit report on the bureau’s BSA IT Modernization Program. Again, I appreciate the OIG’s recognition that the program is within budget and on schedule, and that appropriate oversight continues.

As you know, we started transitioning users to FinCEN Query in July 2012. This new query system is a robust tool built using modern web search technology that allows users to search BSA data more comprehensively than ever before. As users learn how to use and leverage these new capabilities in their own environments, we believe they will continue to identify changes and enhancements they would like to see in the system. I am excited about the opportunities to further improve not only FinCEN’s analysis of BSA data, but also of our regulatory and law enforcement partners. We will continue to work with our stakeholders to identify and discuss ways to balance the respective business priorities of our diverse user community and enhance FinCEN Query now and in the years ahead.

The attachment outlines our response to the audit recommendations. If you have any questions or need additional information, please contact Becky Martin, Assistant Director, Office of Financial Management, on 703-905-3860.

Attachment

[www.fincen.gov](http://www.fincen.gov)

**Attachment: FinCEN Planned Corrective Actions**

**1. When making changes to BSA IT Mod, communicate the changes to users.**

FinCEN Response: Concur. Representatives from federal regulatory and law enforcement agencies that use FinCEN Query participate in FinCEN monthly Data Management Council (DMC) meetings. FinCEN will continue to communicate system changes and release updates at the monthly DMC meetings, as well as continue to make announcements and information available via the FinCEN Portal.

Status: Closed

**2. Continue to engage users to address their concerns and suggested enhancements to BSA IT Mod through the Data Management Council and periodically communicate the status of these suggestions.**

FinCEN Response: Concur. FinCEN uses the DMC as the forum to discuss the business impacts of system issues and suggested changes or enhancements raised by users. FinCEN will continue to use the DMC in this manner to inform the Investment Review Board (IRB) as it prioritizes work efforts throughout operations and maintenance.

Status: Closed

**3. Ensure that training and support is provided to internal and external BSA IT Mod users that address general as well as unique business needs.**

FinCEN Response: Concur. For the FinCEN Query tool, FinCEN currently has modular, web-based training, online help, a quick reference guide, and 10 job aids available to users on the FinCEN Portal. FinCEN has held 26 webinars and 48 in-person training courses, in addition to various hands-on training during separate inspection visits. For the Advanced Analytics tool used by FinCEN analysts, FinCEN conducted instructor-led training prior to deployment. In addition, FinCEN has brought in the vendor for 11 onsite training courses and has conducted approximately 12 brown bag sessions to demonstrate new capabilities and respond to questions.

FinCEN does recognize the need for additional educational support to its user community and commits to developing a comprehensive, sustainable training plan that targets external users, as well as FinCEN analysts.

Status: Open. Estimated completion date February 2014.

**Boston Office**

Mark Ossinger, Audit Manager  
Kenneth O'Loughlin, Audit Manager  
Richard Wood, Auditor

**Washington, D.C.**

Larissa Klimpel, Referencer

**Department of the Treasury**

Deputy Secretary  
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

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