

STATEMENT OF THE HONORABLE ERIC M. THORSON
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BEFORE THE HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

APRIL 28, 2010

2:00 PM

Chairman Moore, Ranking Member Biggert, and Members of the Subcommittee, thank you for the opportunity to appear before you this afternoon to discuss my office's most recent oversight report on the Financial Crimes Enforcement Network (FinCEN), *SAR Data Quality Requires FinCEN's Continued Attention* (OIG-10-030; issued January 19, 2010).

As requested in your invitation, my testimony will cover the findings in this report, the key report recommendations, FinCEN's response, and any prospective views to improve Suspicious Activity Report (SAR) data quality. As also asked, I will discuss how the current wave of bank failures requiring material loss reviews have impacted my office's ability to conduct oversight of FinCEN's activities. Lastly, I will share some observations with respect to FinCEN for the Congress to consider moving forward.

Treasury Office of Inspector General Overview

Before I discuss our report on SAR data quality, I would like to give some background about my office. We provide independent audit and investigative oversight of the programs and operations of the Department of the Treasury as well as its bureaus, excluding the Internal Revenue Service (IRS) and the Troubled Asset Relief Program, also known as TARP. In addition to overseeing Treasury's programs

and operations to combat money laundering and terrorist financing, we oversee Treasury's financial institution regulators, the Office of the Comptroller of the Currency (OCC) and Office of Thrift Supervision (OTS), and Treasury programs and operations to manage federal collections and payments systems, manage and account for the public debt, maintain government-wide financial accounting records, manufacture the Nation's currency and coins, collect revenue on alcohol and tobacco products and regulate those industries, provide domestic assistance through the Office of the Fiscal Assistant Secretary and the Community Development Financial Institutions Fund, and international assistance through multilateral financial institutions. Our current on-board staffing level is about 145 which breaks down as follows: 100 personnel in the Office of Audit and 20 personnel in the Office of Investigations. The remaining personnel include my deputy, my legal counsel, our administrative support staff, and me. Our fiscal year 2010 budget appropriation is \$29.7 million.

FinCEN's Role to Combat Financial Crime and Terrorist Financing and the Importance of SARs to the Effort

Money laundering activities are designed to conceal or disguise the nature, location, source, ownership, or control of money (currency or currency equivalents such as checks and electronic transfers) to avoid a transaction reporting requirement under state or federal law or to disguise the fact that the money was acquired by illegal means. Terrorist financing provides a person or group the opportunity to collect funds with the intention of intimidating a population or compelling a government or international organization to abstain from carrying out an act through the threat of violence. The funding may be derived from criminal activities or legitimate sources. Regardless, the techniques to fund terrorism can be similar to those used to launder money.

Enacted in 1970, the Bank Secrecy Act (BSA)¹ requires that financial institutions maintain records and reports which help identify the source, volume, and

¹ BSA, among other things, authorizes the Secretary of the Treasury to require certain records or reports where they have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings, or in the conduct of intelligence or counterintelligence activities, including analysis, to protect against international terrorism.

movement of currency and other monetary instruments transmitted into or out of the United States. This information is passed on to federal officials so that law enforcement can apprehend criminals by following money trails. BSA contains both civil and criminal penalties for violations of its reporting requirements.

Treasury is the lead agency responsible for the federal government's effort to prevent money laundering and combat terrorist financing in the United States. To that end, it established FinCEN in 1990 to provide a government-wide multisource financial intelligence and analysis network. The organization's operation was broadened in 1994 to include regulatory responsibilities for administering BSA. In September 2002, by virtue of the USA PATRIOT Act,² the Secretary delegated his authority to implement and administer BSA to FinCEN.^{3,4} Within Treasury, FinCEN reports to the Under Secretary for Terrorism and Financial Intelligence.

FinCEN carries out its role by supporting law enforcement, fostering interagency and global cooperation against domestic and international financial crimes, and providing U.S. policy makers with strategic analyses of domestic and worldwide trends and patterns. Furthermore, it collects, analyzes, and shares information with those law enforcement agencies charged with investigating and prosecuting crimes.⁵ To ensure BSA compliance, FinCEN promulgates regulation and guidance, and enters into memoranda of understanding (MOU) with federal, state, and other regulators charged with BSA responsibilities.

² The USA PATRIOT Act, among other things, vested the Secretary of the Treasury with additional regulatory powers to combat corruption of U.S. financial institutions for foreign money laundering purposes.

³ The USA PATRIOT Act also established FinCEN as a bureau within the Treasury Department.

⁴ Among other things, the Secretary delegated to the FinCEN Director the authority to take all necessary and appropriate actions to implement and administer Titles I and II of BSA, as amended, including the promulgation and amendment of regulations and the assessment of penalties.

⁵ For example, the Federal Bureau of Investigations, the Drug Enforcement Administration, and Executive Office for United States Attorneys within the Department of Justice make use of BSA data when investigating and prosecuting crimes. Additionally, the U.S. Secret Service, Immigration and Customs Enforcement, and Customs and Border Protection within the Department of Homeland Security also use BSA data when investigating counterfeiting of U.S. currency, financial fraud, illegal immigration, smuggling, and money laundering.

Regulations promulgated under BSA require domestic financial institutions (banks, thrifts, credit unions, money services businesses, and others) to file reports for cash transactions exceeding \$10,000 and to file SARs for transactions exceeding \$5,000 (for money services businesses, the threshold is \$2,000) that the institution knows, suspects, or has reason to suspect is intended to evade any federal law or regulation, involves illegally obtained funds, or has no business or apparent lawful purpose. Since 1970, Congress has enacted laws amending BSA that, among other things, have added criminal and civil sanctions for money launderers and made terrorist financing an activity punishable under federal money laundering laws.

FinCEN established the SAR database in 1996 as a single collection point for SARs to provide law enforcement agencies with critical information for specific criminal investigations as well to facilitate comprehensive analyses of trends and patterns in financial activity. FinCEN operates and maintains the SAR database through IRS's Enterprise Computing Center in Detroit. Financial institutions and other required SAR filers can file SARs via paper or electronically through the BSA E-Filing System. SARs are filed when financial institutions note something suspicious about a transaction, including a pattern of cash deposits just below the threshold for filing a Currency Transaction Report (such a pattern is known as "structuring"). SARs are highly valued by law enforcement for providing potential leads to criminal activity, including money laundering, terrorist financing, and, lately, possible mortgage fraud.

Filers of SAR reports are required to provide accurate information and face penalties if they do not. But this is more than a matter of what is legally required. As FinCEN puts it:

"Accurate and complete SARs are critical to the utility of BSA data in combating financial crimes, terrorist financing and other illicit activity. The value of any SAR filing is impaired when it is not accurate and complete. SAR information is a valuable tool for FinCEN, law enforcement, regulatory authorities, and intelligence agencies (collectively "users"), allowing identification of larger patterns of suspicious activity which might not otherwise be detected. When combined with other sources, the information generated by SAR filings

plays an important role in identifying illegal activities. However, lack of accurate and complete information limits the value of BSA data for users.”⁶

OIG Oversight of Treasury’s Anti-Money Laundering and Combating Terrorist Financing Mission

I consider oversight of Treasury’s role in preventing money laundering and combating terrorist financing to be among our highest priority work. To that end, we first designated this area as one of Treasury’s most significant management and performance challenges back in 1999 and have continued to do so since that time.⁷ We have also conducted a number of audits of this area in the last decade or so, as our resources have allowed. So, to be clear, we identified Treasury’s role in preventing money laundering and combating terrorist financing as a significant management challenge and began conducting audits in this area well before the horrific events of September 11, 2001.

Unfortunately, much of the information I am presenting to you today is based on work that my office conducted sometime ago, although I believe the conditions upon which my office reported remain relevant. The financial crisis that began in mid-2007 has had a major impact on my office’s ability to do work in this critical area, which I will discuss in more detail later.

SAR Data Quality Problems Reported by Treasury OIG

As mentioned above, the ability of law enforcement agencies to obtain value from BSA records and reports is highly dependent on the accuracy and completeness of the SARs information contained within FinCEN’s database. In that regard, since 1999 we have completed four audits on the accuracy and completeness of SARs in

⁶ FinCEN, *The SAR Activity Review – Trends, Tips & Issues* (Issue 16, Oct. 2009).

⁷ The Reports Consolidation Act of 2000 requires that I provide the Treasury Secretary my office’s annual perspective on the most serious management and performance challenges facing the Department. That assessment is included in the Department’s annual Agency Financial Report.

FinCEN's database.⁸ We completed our latest review in January 2010. We started this audit in 2007 but were delayed significantly due to our material loss review workload. Overall, we found that SARs filed during fiscal year 2006, which we reviewed in their entirety for 17 data fields, often lacked critical information or included inaccurate data.

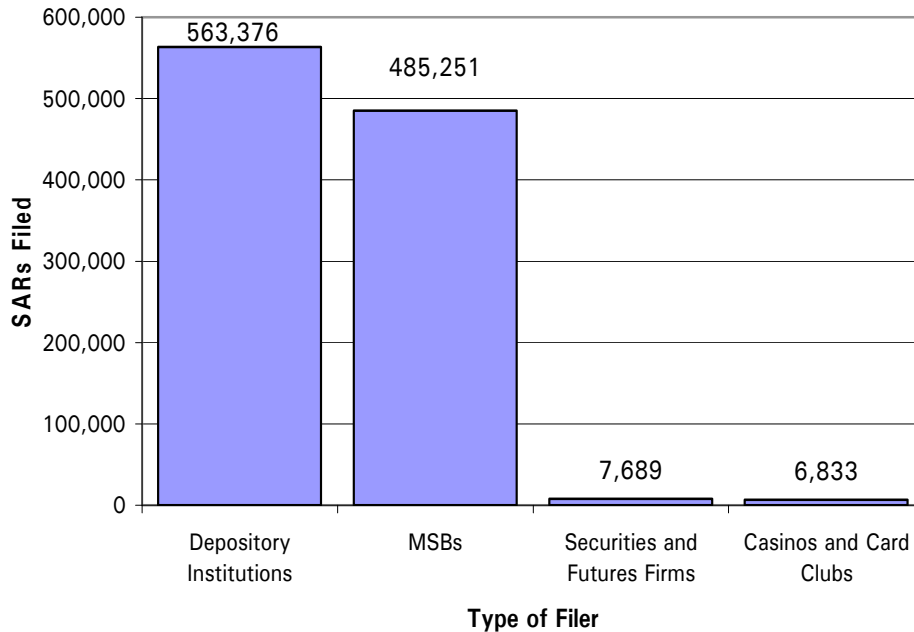
Treasury OIG Audits of SAR Data Quality

Our January 2010 audit report was the fourth we have issued on SAR data quality. The three prior audits found a large percentage of SARs contained missing or inaccurate data. In the most recent of those prior three audits, an audit completed in 2005, we reported that SAR filers disregarded SAR form instructions, did not always understand the violations listed on the SAR form, or were concerned with personal liability (limiting what they decided to report). We also found that an IRS contractor made a number of errors in converting data from paper SARs into electronic files. As a result, there was missing or inaccurate data not being identified or corrected before or after the SARs were entered into the database. We concluded that overall system control weaknesses, broad reliance on financial supervisory regulators to ensure financial institutions' compliance with SAR filing requirements, and factors unique to either the type of filer or the filing means (paper vs electronic) all contributed to the data quality problems. FinCEN concurred with our findings and recommendations and committed to a corrective action plan, but stressed that undue focus on data quality could undermine the overall effectiveness of SAR reporting programs by creating distorted incentives.

The objective of the audit I am discussing today, the one we finished in January 2010, was to evaluate the status of SAR data quality. We reviewed the actions FinCEN took in response to our 2005 audit recommendations, evaluated the processes for receiving and processing SARs as they existed when we started the audit in 2007, and analyzed one year's worth of SAR data—that being the approximately 1.1 million SARs filed during fiscal year 2006. The following chart shows the breakdown of the SARs that we analyzed by filer type.

⁸ *SAR Date Quality Requires FinCEN's Continued Attention*, OIG-10-30 (Jan. 19, 2010); *FinCEN: Heightened Management Attention Needed Over Longstanding SAR Data Quality Problems*, OIG-05-033 (Mar. 23, 2005); *FinCEN: Reliability of Suspicious Activity Reports*, OIG-03-035 (Dec. 18, 2002); *The Financial Crimes Enforcement Network Suspicious Activity Reporting System*, OIG-99-032 (Jan. 25, 1999).

Fiscal Year 2006 SARs Filed



Source: Treasury OIG analysis of fiscal year 2006 SAR data.

SAR Date Quality Issues Continued With 2006 Filings

Our audit found that by 2006 SAR data quality had not significantly improved. We found that 59 percent of the 1.1 million SARs contained omissions or incorrect, inconsistent, or inappropriate information in 1 or more of 17 data fields which FinCEN deemed critical to law enforcement. As shown in the table below, SARs filed by money services businesses had the highest percentage of data quality problems (88 percent), followed by SARs filed by securities and futures firms (50 percent), casinos and card clubs (49 percent), and depository institutions (34 percent).

Fiscal Year 2006 SARs With Data Quality Problems

Type of Filer	SARs filed	Problem SARs	Problem SAR percentage
Depository institution	563,376	191,622	34%
Money services businesses	485,251	427,934	88%
Casinos and card clubs	6,833	3,368	49%
Securities and futures firms	7,689	3,822	50%
Total	1,063,149	626,746	59%

Source: Treasury OIG analysis of fiscal year 2006 SAR database.

The critical fields that most often had missing or erroneous data were related to the subject's taxpayer identification number, address, and name. The manner in which many SARs were completed suggests that the filers should have used more due diligence in preparing the submissions. Some of the missing data including the type of suspicious activity, the institution's address, or the location of the suspicious activity, we believe should have been available to the filer.

SAR data quality problems diminish the usefulness of the data for FinCEN, law enforcement, and other users. Although SARs with missing critical data can still have value, we believe more complete and accurate SAR submissions would have much greater value to the users who rely on such information. If I may make an analogy. I view the information contained in FinCEN's SAR database as something akin to a research library. When one does research in such a place, one expects the information contained within it to be complete and accurate. If users of FinCEN's SAR database cannot rely on the information contained within it, that information becomes much less useful on many levels (from collecting data to build a criminal case to developing comprehensive analyses of trends and patterns in financial activity).

We also found a disparity among similar institutions in the percentage of SARs with missing or erroneous data. This disparity raises the question of why certain institutions are consistently able to submit a higher percentage of complete and accurate SARs than others. Although depository institutions showed improvement as a whole from our prior audit -- with the percentage of problem SARs dropping from 56 percent to 34 percent -- data quality problems continued to exist for many, including several large banks and thrifts with assets of \$30 billion or greater. These banks and thrifts had a higher than average percentage of fields with missing, incomplete, inconsistent, or inappropriate data. The table below shows the 25 depository institutions where at

least 50 percent of their 2006 SARs had problems. The range of SAR data quality problems within this group of 25, raises questions about why certain institutions have a far greater percentage of problems than others.

Depository Institutions (Top 25) With More Than Half of Their SAR Having Missing, Incomplete, Inconsistent or Inappropriate Data

Depository institution	SARs filed	SARs with problems	Percent of SARs with problems
A	1,005	1,005	100
B	660	660	100
C	488	467	96
D	473	440	93
E	591	541	92
F	3,033	2,699	89
IndyMac Bank, FSB	1,723	1,487	86
G	1,824	1,381	76
H	712	535	75
I	513	386	75
J	3,499	2,600	74
K	661	488	74
L	1,074	757	70
M	605	415	69
N	736	476	65
O	3,213	2,014	63
P	1,982	1,241	63
Q	5,056	3,042	60
R	1,204	727	60
S	763	450	59
T	1,549	875	56
NetBank FSB	875	480	55
U	2,990	1,592	53
V	715	380	53
X	5,238	2,692	51

Source: Treasury OIG analysis of fiscal year 2006 SAR database. Since our audit period, IndyMac Bank FSB and NetBank FSB failed. The names of the active depository institutions in the table were provided to FinCEN.

In addition, we found that certain system controls over the loading and processing of SAR data were weak. The control weaknesses prevented thousands of SARs with errors and other data quality problems from being identified and corrected during SAR processing. The control problems included incorrect recording dates; shifting of data from one field to another, which changed the data's meaning; and missing or unassigned document control numbers used to account for the SARs.

These control weaknesses affected the quality of the SAR data and in some cases the availability of the information to law enforcement. FinCEN management was aware of some, but not all of the control issues identified by our audit and was working to correct the deficiencies. IRS officials stated that they were working with FinCEN to correct the problems related to the processing of BSA data.

During our audit, FinCEN officials stated that our results overstate SAR data quality problems because filers do not have to fill in SAR fields for which they do not have the information. In this regard, FinCEN officials stated that SAR form instructions make it clear that any field for which information is not available should be left blank. To meet SAR legal requirements, a filer only needs to submit a SAR within 30 days of becoming aware of a suspicious transaction, or 60 days if the filer needs more time to identify the subject.

According to FinCEN officials, even a SAR with missing critical data has value to law enforcement. Also, FinCEN expects money services businesses to have more SARs with missing data than depository institutions because depository institutions inherently have more data on individuals they do business with than money services businesses do.

We agree that SARs with missing critical data can have value to law enforcement. However, we believe more complete and accurate SAR submissions would have greater value, particularly when the missing data seems like it should have been readily available to the filer. For example, depository institution filers are supposed to indicate on the SAR form when the subject data are unavailable and left blank. However, this box was not checked for 79 percent of SARs with missing critical subject field data (about 105,000 SARs of about 133,000 SARs filed by depository institutions). Of these SARs, nearly 3,000 SARs had no subject information at all, while others contained limited subject data such as a telephone number or a date of birth. We also noted that even when the box was checked (about 28,000 SARs), indicating that the data was not available, the filer for about 1,600 of these SARs did include either some or all of the subject data.

When we discussed these conditions with FinCEN, we were told that a large volume of “corrected” SARs are submitted following original submissions that augment the original SARs, though these SARs are not always identified as corrected.

FinCEN management further stated that SARs may provide the needed information in the narrative section of the forms. FinCEN was concerned that our findings relative to missing data in SAR fields were not adjusted to take narrative information into consideration. While we appreciate this concern, it was not practical for us to review the narratives for 1.1 million SARs. It should also be noted that providing data in the narrative in lieu of recording the information in a SAR data field is contrary to the instructions for the SAR forms. That said, we also believe that it would be difficult, time-consuming, and costly, for law enforcement doing widespread searches of the database for particular fields of data, to hunt for these data in narratives, on the chance that filers placed important information in the narratives rather than in the correct data fields.

Recommendations and FinCEN Corrective Actions

To further improve SAR data quality, we recommended in our January 2010 report that FinCEN: (1) continue and enhance its filer education and outreach programs; (2) identify and refer to the federal regulators those financial institutions with significant and recurring SAR quality problems; (3) coordinate with IRS to evaluate, implement, and improve controls over SAR data; and (4) request IRS to periodically notify FinCEN of SARs containing significant errors or missing critical data fields.

FinCEN, noting that our findings were based on SAR data filed in fiscal year 2006, cited a number of completed efforts to improve the quality and integrity of SAR data. These efforts include enhancing the BSA electronic filing (E-Filing) system and improving the quality of BSA information through regulatory guidance and outreach. In this regard, FinCEN stated that it had

- issued specific guidance to enhance filer education, which it views as an ongoing responsibility;

- established an initiative to identify systemic filing errors and in fiscal year 2009 worked with federal regulators to resolve over 100 such matters;
- worked with IRS to resolve matters associated with the recording, processing, accounting for, and loading of SARs.

By February 2010, FinCEN also planned to have a SAR validation process in place that identifies all SAR filings with significant errors for its compliance staff to monitor. According to FinCEN, this action has been taken.

Additionally, FinCEN stated that it plans to launch a BSA information technology modernization program in fiscal year 2010. This initiative is aimed at modernizing BSA information management, analysis, and dissemination. Through increased data integrity and analytical tools, the program is designed to provide hundreds of federal, state, and local law enforcement agencies and financial industry regulators better decision-making abilities by increasing the value of BSA information.

We considered FinCEN's actions, taken and planned, to be responsive to our recommendations. We have yet to follow-up on those actions, principally because of our material loss review workload, but plan to do so as resources and priorities permit. That said, we are aware of FinCEN's continued outreach efforts to improve SAR data quality. For example, FinCEN's most recent SAR Activity Review (published October 2009) provided suggestions from law enforcement for preparing more useful SARs as well as a discussion of common errors that should be avoided. We also believe that the SAR validation process that, according to FinCEN, was put in place in February of this year to identify SAR filings with significant errors for compliance monitoring is very important and will be a focus of the next follow-up by my office.

The Subcommittee's invitation asked whether I had any additional facts or recommendations with respect to FinCEN improving its SAR data quality efforts. At this time I do not--other than to say that this is an area that will require continued vigilance on the part of FinCEN.

Impact of Failed Bank Reviews to Treasury OIG's FinCEN Oversight

Because of the unprecedented number of bank failures in the United States over the last 3 years, my office has been forced to defer almost all discretionary audits and delay others that were in process, including many designed to look at Treasury's efforts to prevent money laundering and combat terrorist financing. As the Subcommittee is aware, the Federal Deposit Insurance Corporation Improvement Act of 1991 requires that the Inspector General of the cognizant federal banking agency review and report to that agency when an institution fails and that failure results in a material loss to the Deposit Insurance Fund, where materiality is defined as a loss of \$25 million or more. A material loss review determines the causes of the institution's failure and assesses the supervision exercised over the failed institution. Beginning with the failure of NetBank, FSB, in mid-2007, 69 Treasury-regulated (OCC and OTS) financial institutions have failed as of today. Of those, 52 have met the material loss threshold. My office has completed and issued 17 such reviews and we have another 35 in progress. Regrettably, looking forward, I believe my office will be busy conducting such reviews for some time to come.

The current material loss threshold of \$25 million was established nearly 20 years ago. I believe that this threshold no longer serves as a reasonable measure of materiality. Last July, with the extraordinary support of Chairman Moore and this Subcommittee, the House passed H.R. 3330, *Improved Oversight by Financial Institutions General Act of 2009*, to increase the material loss review threshold to \$200 million while prudently requiring some level of review of all bank failures.

I note that on April 15, 2010, S. 3217, *Restoring American Financial Stability Act of 2010*, was introduced in the Senate. Section 987 of that legislation included a provision to establish the material loss review threshold at (1) \$100 million from September 30, 2009, through December 31, 2010; (2) \$75 million for 2011; and (3) \$50 million for 2012 and beyond.

I continue to believe that an increase in the material loss review threshold is as critical and appropriate today as when I testified on before this Subcommittee last year. We simply are not learning that much new with each successive review we complete and the requirement is precluding us from doing other important oversight work.

I should note that in addition to the failed bank reviews, I have been able to dedicate a small number of resources to oversee a couple of Treasury's newest and most costly programs. Specifically, Treasury's more than \$20 billion of non-IRS funds authorized by the American Recovery and Reinvestment Act as well as Treasury's multi-billion investment in Fannie Mae and Freddie Mac that resulted from the passage of the Housing and Economic Recovery Act of 2008. That Act assigned Treasury a number of new authorities and responsibilities with respect to the mortgage giants to include the purchase of securities and obligations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks under certain conditions and determinations. To that end, as of December 31, 2009, Treasury purchased \$225 billion in Fannie and Freddie mortgage-back securities (MBSs) and \$110.6 billion in senior preferred stock so that the entities could maintain a positive net worth. Also, while Treasury will not be purchasing anymore MBSs, the prior \$400 billion cap on further financial support to maintain a positive net worth through 2012 has been lifted.

Additional Observations With Respect to FinCEN that the Congress Should Consider Going Forward

My testimony has discussed a number of issues and concerns we have had with combating money laundering and terrorist financing. I believe this is a very critical mission for Treasury and I have serious concerns about my office's current inability to adequately oversee the activity because of our material loss review burden. Moreover, some have suggested, in an effort to cut expenses, that some financial institutions may have reduced their compliance staffs during the current financial crisis. The regulators are also very focused on safety and soundness issues, including unwinding failing banks or dealing with the after effects of banks that have already failed. While all this is happening, Congress is simultaneously focused

on regulatory reform. So, I applaud your Subcommittee for not overlooking the importance of sound BSA administration.

I would also like to emphasize that any change in the current regulatory structure, when finalized, must ensure that compliance with BSA (as well as compliance with economic and trade sanctions administered by Treasury's Office of Foreign Assets Control) is not diminished. Furthermore, there are financial sectors that are still fairly new to BSA and USA PATRIOT Act reporting requirements which need to be monitored, including broker/dealers and the insurance industry. IRS, the examiner of non-bank financial institutions, is already challenged with overseeing tens of thousands of money services businesses. Additionally, there are still many old and new challenges to Treasury's efforts to prevent money laundering and combat terrorist financing -- including those presented through financial instruments like stored value cards, the continued profitability in dealing drugs as evidenced by the increasingly violent drug war along the Mexican border, and the continuing efforts of terrorists to pierce our defenses. In all this serves to reinforce the need for us to remain vigilant in this critical area. We cannot let our guard down.

Regarding IRS's maintenance of BSA data, FinCEN attempted but failed (at a cost of over \$15 million) to develop its own separate system several years ago. That system, which was known as BSA Direct Retrieval and Sharing (BSA Direct), was supposed to replace FinCEN's reliance on IRS's system. Though the system development effort failed, FinCEN has not abandoned the idea, and is pursuing an BSA Information Technology (IT) Modernization initiative.

Congress did express support for this new project in its consideration of FinCEN's fiscal year 2010 budget, but noted concerns given the failure of BSA Direct. It should further be noted that in December 2009 Congress directed FinCEN to submit semiannual reports to the House and Senate Appropriations Committees summarizing the agency's IT Modernization progress to include milestones planned and achieved, progress on cost and schedule, management of contractor oversight, strategies to involve stakeholders, and acquisition management efforts.

Furthermore, based on budget documents that we reviewed, it does not appear that any additional appropriated funds were separately requested to support this initiative for fiscal year 2011. Instead, the documents contained the following

statement – “FinCEN will seek alternate funding from the Treasury Forfeiture Fund to fully implement the planned IT Modernization.” Given the high risk nature of system development efforts which oftentimes result in delays, increased costs, and in some cases like BSA Direct, failure, we believe FinCEN’s BSA IT Modernization effort requires close oversight going forward.

On a related matter, FinCEN has also been making an effort to upgrade its research, analytical, and informational services capability, as required by the USA PATRIOT Act. An audit we completed several years ago found, however, that limited progress had been made. One impediment is that law enforcement agencies, such as the Federal Bureau of Investigations, prefer to do their own data analysis from a replica copy of the FinCEN database. That audit also found that FinCEN’s database to track and report the number of investigative cases, subjects, and strategic analytic products was not accurate or reliable. In this regard, FinCEN partnered with IRS and OFAC to design, develop, and implement a new electronic content management (ECM) system that is scheduled for implementation in September 2011. Treasury received over \$12 million in funding for ECM through 2009 and has requested another \$5 million in 2011. I must tell you that we are concerned about the ECM project as well. Large system development projects are difficult to do well under that best of circumstances and the Department’s track record in the area has not been good. Over time the ECM project has already morphed from a narrowly focused support system for OFAC and FinCEN into a much larger and costlier effort with a different objective and no definitive end in sight. This is another critical area on which I would like to have my office focus, but as I already discussed, with the mandated failed bank reviews and Recovery Act work, my ability to assign resources for other oversight demands is very limited.

That concludes my prepared statement. I will be happy to answer any questions you may have. Thank you.