



Audit Report



OIG-18-032

TERRORIST FINANCING/MONEY LAUNDERING

Financial Institutions Used FinCEN Guidance Designed To Avoid Duplicate Filing of Reports With OFAC and FinCEN, but BSA Data Users Did Not Have Access to All Data

December 19, 2017

Office of
Inspector General

Department of the Treasury

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Abbreviations

BSA	Bank Secrecy Act
FinCEN	Financial Crimes Enforcement Network
IT	Information Technology
JAMES	Joint Audit Management Enterprise System
OFAC	Office of Foreign Assets Control
OIG	Office of Inspector General
SAR	Suspicious Activity Report
SDN	Specially Designated Nationals

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Treasury
WMD

Department of the Treasury
Weapons of Mass Destruction

*The Department of the Treasury
Office of Inspector General*

December 19, 2017

Jamal El-Hindi, Acting Director
Financial Crimes Enforcement Network

John E. Smith, Director
Office of Foreign Assets Control

The Department of the Treasury's (Treasury) Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on U.S. foreign policy goals. A major component of these sanctions, the Specially Designated Nationals and Blocked Persons List (referred to as the SDN list), contains the names of individuals, government entities, and companies with which U.S. businesses and citizens are prohibited from engaging in trade. Financial institutions are required to block transactions of individuals or entities subject to U.S. sanctions and report the transactions to OFAC. The blocked transaction data is used by OFAC for enforcement purposes, in making licensing determinations, and in reporting to Congress.

Treasury's Financial Crimes Enforcement Network (FinCEN) administers the Bank Secrecy Act (BSA),¹ which established the framework to combat criminal use of the financial system. The BSA requires financial institutions to report certain financial transactions made by their customers. FinCEN oversees the management, processing, storage, and dissemination of BSA data, which are collected through Suspicious Activity Reports (SAR) filed by financial institutions. FinCEN, law enforcement agencies, counter-terrorism agencies, financial regulators, and the intelligence community (collectively known as BSA data users) use these data

¹ Public Law 91-508, 84 Stat. 1114 through 1136 (October 26, 1970).

to identify trends and develop intelligence information on money laundering and terrorist financing.

In 2003, FinCEN instructed financial institutions to file SARs for any verified match with an entity on OFAC's SDN list. The SDN list contains the names of individuals, government entities, and companies with which U.S. businesses and citizens are prohibited from engaging in trade under certain OFAC programs, including, among others, Specially Designated Global Terrorists, Narcotics Traffickers, and Narcotics Trafficker Kingpins as well as Foreign Terrorist Organizations.

In response to subsequent complaints from financial institutions about this requirement, in December 2004 FinCEN issued interpretive guidance, *Interpretation of Suspicious Activity Reporting Requirements to Permit the Unitary Filing of Suspicious Activity and Blocking Reports* (2004 guidance), to alleviate the burden of filing duplicative reports with both OFAC and FinCEN. According to the 2004 guidance, blocked transaction reports filed with OFAC under its terrorism and narcotics sanctions programs satisfy FinCEN's SAR requirements unless (1) the financial institution is in possession of additional information not in the OFAC blocked transaction report or (2) the activity is independently suspicious of the blocked transaction. In either of those cases, a separate SAR must be filed by the financial institution. Regardless of any need for a separate SAR, OFAC provides its blocked transaction information to FinCEN to make available to BSA data users.²

This report presents the results of our audit of OFAC and FinCEN's sharing of blocked transaction reports for suspicious activity reporting. Our audit objectives were to determine (1) the extent to which financial institutions have availed themselves of FinCEN's 2004 guidance to avoid duplicative reporting and (2) whether controls are in place to ensure blocked transaction information filed with OFAC is made available to BSA data users through FinCEN's BSA database.

² SAR data is made available to BSA data users through FinCEN's BSA database.

We interviewed OFAC and FinCEN officials. We also reviewed three types of reports:

- blocked transaction reports filed with OFAC by financial institutions,
- SARs filed with FinCEN by financial institutions, and
- SARs filed by FinCEN on behalf of financial institutions using OFAC's blocked transaction reports.

We performed our fieldwork from February 2013 through June 2013, with subsequent follow-up through July 2016 to determine the status of our findings. Appendix 1 provides a more detailed description of our audit objectives, scope, and methodology. Appendix 2 provides additional background information on OFAC, FinCEN, and FinCEN's 2004 guidance.

Results in Brief

In brief, we concluded that financial institutions, with few exceptions, avoided duplicative reporting consistent with FinCEN's 2004 guidance. However, controls were not in place to ensure blocked transaction information filed with OFAC was made available to BSA data users through FinCEN's BSA database. Specifically, FinCEN did not reconcile reports in its system to ensure required information was available to BSA data users.

Because periodic reconciliations were not performed by FinCEN, FinCEN was unaware that it did not upload to the BSA database information related to approximately 3,220 (88 percent) of the 3,653 blocked transaction reports received from OFAC between January 2010 and December 2012 because of information technology (IT)-related problems. FinCEN was unaware of this gap until our fieldwork in April 2013. At that time, OFAC and FinCEN performed a reconciliation of blocked transaction reports between the two entities. When the problem was identified, FinCEN implemented a process for BSA data users to obtain the OFAC blocking reports through the FinCEN Portal.³ Accordingly, we recommend that the Director of FinCEN, in collaboration with the

³ FinCEN Portal is a homepage for BSA data users to access services provided by FinCEN.

Director of OFAC, reconcile the blocked transaction data to ensure FinCEN makes all data available to BSA data users.

We noted two other matters of concern from our review of blocking reports and SARs. First, the 2004 guidance does not consider OFAC sanctions programs implemented after the guidance was issued. For example, FinCEN does not receive reports from OFAC for transactions blocked under OFAC's Nonproliferation of Weapons of Mass Destruction (WMD) program, which was implemented in 2005. Therefore, unless a financial institution files a SAR with FinCEN, the WMD proliferation activity is not made available to BSA data users. Accordingly, we recommend that the Director of FinCEN, in collaboration with the Director of OFAC, review the 2004 guidance and information sharing agreement based on changes to sanctions programs and update accordingly.

As another matter of concern, we identified 387 SARs describing transactions processed by the filing institutions that potentially violated an OFAC sanctions program. These SARs described transactions that possibly should have been blocked or rejected but were processed by the bank. We referred these potential violations to OFAC and the appropriate regulator for consideration of enforcement action.⁴

In a written response to this report, which is included in its entirety as appendix 3, FinCEN and OFAC management concurred with our recommendations and outlined actions already taken and planned. They stated that both organizations are committed to working towards disseminating information to BSA users in a meaningful way, and they will continue to coordinate with each other to accomplish this goal. Management acknowledged that not all of the blocked transaction information was provided to users between 2010 and 2012 due to a technical problem with loading the legacy system, and they appreciated that we noted in our report that the problem was resolved in 2013. Management also recognized that there is a need to review both the current guidance and information sharing agreement to ensure that they are up to date and include any changes or necessary updates since their inception in 2004. To that end, OFAC and FinCEN will review these documents and work

⁴ *OIG, Referral of Potential OFAC Violations by Three Banks* (OIG-CA-14-001 and OIG-CA-14-002; issued October 17, 2013).

together with the Under Secretary for the Office of Terrorism and Financial Intelligence to update them as appropriate to best serve their stakeholder needs.

FinCEN and OFAC management's response and planned corrective actions meet the intent of our recommendations. We have summarized the response in the recommendation sections of this report. Management will need to record the estimated date for completing its planned corrective actions as well as the actual date of completed corrective actions in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system.

Audit Results

Financial Institutions, with Few Exceptions, Avoided Duplicative Reporting

Financial institutions that block or reject a transaction subject to U.S. economic sanctions programs are required to file a blocked transaction report with OFAC within 10 business days from the date of blocking the property.⁵ These same institutions are also required to file a SAR with FinCEN on any suspicious transaction relevant to a possible violation of law or regulation.⁶ FinCEN's 2004 guidance, which was developed in consultation with OFAC and the Federal Banking Agencies, states that blocked transaction reports filed under OFAC's terrorism and narcotics sanctions programs satisfy FinCEN's SAR requirements unless (1) the financial institution is in possession of additional information not in the OFAC blocked transaction report or (2) the activity is independently suspicious of the blocked transaction. In either of those cases, a separate SAR report must be filed by the financial institution. As mandated by BSA, FinCEN supports law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence. FinCEN collects and disseminates SAR data, predominantly by maintaining a government-wide BSA database that BSA data users can access.

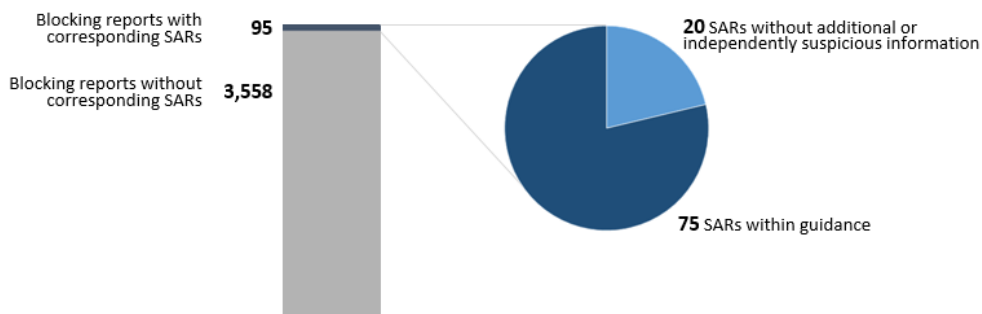
⁵ 31 C.F.R. §501.603.

⁶ 31 C.F.R. Chapter X.

From January 2010 through December 2012, OFAC received 3,653 blocked transaction reports from financial institutions under the terrorism and narcotics programs. We compared those blocked transaction reports to SARs filed by financial institutions with FinCEN during the same time period and identified 95 SARs that matched blocked transaction reports.⁷ Of those 95 matches, 75 SARs met the criteria set by FinCEN’s 2004 guidance; that is, the SARs contained information not already included in the blocked transaction reports filed with OFAC or the facts and circumstances surrounding the OFAC match were independently suspicious. Less than 1 percent of blocking reports filed under OFAC’s terrorism and narcotics sanctions programs that were also filed with FinCEN as a SAR did not contain independently suspicious or additional information.

As Figure 1 shows, the remaining 20 of the 95 SAR matches, filed by 4 different financial institutions, did not contain information that was additional or independently suspicious of the information included in the OFAC blocked transaction reports.

Figure 1: Status of SARs Corresponding to OFAC Blocked Transaction Reports, 2010–2012



Source: OIG analysis of OFAC blocked transaction reports and Data Downloaded from FinCEN’s BSA Database.

⁷ We did not perform audit work to determine whether financial institutions should have filed a SAR to report the remaining 3,558 blocked transactions to FinCEN.

Finding

Not All Blocked Transaction Information Was Available to BSA Data Users

We concluded that controls were not in place to ensure blocked transaction information filed with OFAC was made available to BSA data users through FinCEN's BSA database. Under the BSA, FinCEN is responsible for collecting, maintaining, and disseminating SAR data to appropriate Federal, State, and local law enforcement agencies to identify possible criminal activity.⁸ Until initiation of our audit, FinCEN had not reconciled blocked transaction reports received from OFAC to blocked transaction information uploaded to the BSA database to ensure required information was available to BSA data users.

To facilitate the availability of OFAC blocked transaction data to BSA data users, in February 2005, OFAC and FinCEN entered into an Information Sharing Agreement, *Access by the Financial Crimes Enforcement Network to Blocking Report Data of the Office of Foreign Assets Control*. In accordance with the Agreement, FinCEN was responsible for uploading blocked transaction data provided by OFAC to the BSA database. OFAC and FinCEN did not review that process or reconcile their reporting systems to ensure information was flowing as intended until April 2013, 2 months after our audit began. As a result, FinCEN was unable to timely identify the gaps that prevented BSA data users from accessing information for approximately 3,220 (88 percent) of the 3,653 OFAC blocked transaction reports for the terrorism and narcotics sanctions programs during the time period covered by our audit, January 2010 through December 2012.

Reconciliations are an important internal control tool. Government Accountability Office's *Standards for Internal Control in the Federal Government*, calls for ongoing monitoring that "includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions."

FinCEN had documented procedures covering the uploads of blocked transaction data to the BSA database. These procedures included a step to check whether blocked transaction report data

⁸ 31 USC §310.

provided by OFAC had corresponding information prepared for uploading to FinCEN's BSA database; however, FinCEN did not provide evidence that reconciliations had been performed. A FinCEN official told us that as of July 2016 FinCEN had new procedures to reconcile blocked transaction reports received from OFAC to the blocked transaction data FinCEN posts to its Portal. We did not validate that the new procedures had been established and that reconciliations are performed.

FinCEN officials told us that two separate IT-related problems prevented FinCEN from uploading the blocked transaction report information related to terrorism and narcotics trafficking activities during the audit period. The first problem occurred from January 2010 through November 2011. We found that FinCEN did not upload to the BSA database information related to approximately 1,560 (78 percent) of the 1,993 blocked transaction reports received from OFAC during this timeframe because of a software failure. Uploading OFAC blocked transaction reports to the BSA database involved a multistep saving process. Data was first written to a temporary file, but the final save to the database did not complete. FinCEN did not discover the cause of the problem until April 2013, while reconciling its blocked transaction report data with OFAC's data for the first time.

There was a second IT problem in which FinCEN failed to upload information to the BSA database. FinCEN did not upload information related to any of the approximately 1,660 blocked transaction reports received from OFAC from December 2011 through December 2012, because the data was not compatible with FinCEN's new BSA database system. Because of the differences between the OFAC blocked transaction report data fields and the SAR data fields, much of the blocked transaction report information was automatically entered into the SAR narrative field leaving other key fields blank. Controls built into FinCEN's new BSA database rejected the upload of OFAC blocked transaction report data when critical fields were left blank.⁹ When the new BSA database became operational in January 2012, FinCEN could no longer upload blocked transaction report data to

⁹ Critical fields required by FinCEN before a SAR can be filed include the suspect's identifying information, the type of suspicious activity, and information about the filing institution.

the BSA database because of blank data fields. FinCEN did not approach OFAC with a solution to the problem until March 2013.

In April 2013, FinCEN implemented a process of manually posting spreadsheets of blocked transaction report data to the FinCEN Portal for BSA data users to access. As a result of this process, information related to the 3,220 blocked transaction reports that had not been uploaded to the BSA database because of the IT-related problems is now accessible to BSA data users.

Recommendation

We recommend that the Director of FinCEN:

1. In collaboration with the Director of OFAC, reconcile the blocked transaction data to ensure FinCEN makes all data available to BSA data users.

Management Response

FinCEN and OFAC management concurred with the recommendation. According to their response, FinCEN and OFAC have implemented a process where OFAC provides all appropriate blocking reports to FinCEN, which are then posted directly to the FinCEN Portal so that all law enforcement users have access to the information provided.

OIG Comment

FinCEN and OFAC's response meets the intent of our recommendation.

Other Matters

FinCEN's 2004 Guidance Does Not Cover OFAC Sanctions Programs Subsequently Implemented

The 2004 guidance does not consider OFAC sanctions programs implemented after the guidance was issued. For example, FinCEN does not receive reports from OFAC for transactions blocked under

OFAC's Nonproliferation of WMD program¹⁰ because the Executive Order that authorizes OFAC's WMD sanctions program was signed in June 2005, a year after FinCEN's 2004 guidance. Therefore, unless the financial institution files a SAR with FinCEN, the WMD proliferation activity is not made available to BSA data users.

Per the Information Sharing Agreement, both OFAC and FinCEN agreed to review the terms of the agreement annually and make changes as necessary. However, we found that OFAC and FinCEN did not re-examine the agreement until after our audit began, and that review did not consider Nonproliferation of WMD or other new sanctions programs. We believe FinCEN, in collaboration with OFAC, should review the 2004 guidance and FinCEN and OFAC's information sharing agreement in consideration of all OFAC sanctions programs and update accordingly. FinCEN officials stated that they plan to conduct a study of the guidance.

Recommendation

We recommend that the Director of FinCEN:

1. In collaboration with the Director of OFAC, review the 2004 guidance and information sharing agreement based on changes to sanctions programs and update accordingly.

Management Response

FinCEN and OFAC management concurred with the recommendation. According to their response, the Directors of FinCEN and OFAC will collaborate on a review and subsequent revision of the information sharing agreements to determine any changes needing to be incorporated since inception, and FinCEN will revise the 2004 guidance accordingly.

¹⁰ In June 2005, the President signed Executive Order 13382, "Blocking the Property of Weapons of Mass Destruction Proliferators and Their Supporters." The order requires U.S. persons or entities to block the property of anyone who engages, attempts to engage in, or financially supports activities that contribute to the proliferation of WMD.

OIG Comment

FinCEN and OFAC's response meets the intent of our recommendation.

387 Instances in which Institutions Possibly Violated OFAC Sanctions

During our audit, we identified 387 SARs describing transactions processed by the filing institutions that potentially violated an OFAC sanctions program. These SARs described transactions that possibly should have been blocked or rejected but were processed by the bank. We referred these potential violations to OFAC and the appropriate regulator for consideration of enforcement action.¹¹

* * * * *

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. A distribution for this report is provided as appendix 5.

/s/
Sharon Torosian
Director

¹¹ *OIG, Referral of Potential OFAC Violations by Three Banks* (OIG-CA-14-001 and OIG-CA-14-002; issued October 17, 2013).

The objectives of our audit were to determine (1) the extent to which financial institutions have availed themselves of the Financial Crimes Enforcement Network's (FinCEN) interpretive guidance, *Interpretation of Suspicious Activity Reporting Requirements to Permit the Unitary Filing of Suspicious Activity and Blocking Reports* (2004 guidance), to avoid duplicative reporting and (2) whether controls are in place to ensure blocked transaction information filed with the Office of Foreign Assets Control (OFAC) is made available to law enforcement agencies, counter-terrorism agencies, financial regulators, and the intelligence community (collectively known as BSA data users) through FinCEN's BSA database. This audit covers Suspicious Activity Reports (SAR) and blocking reports filed from January 2010 through December 2012. We performed our fieldwork from February 2013 through June 2013 with subsequent follow-up through July 2016 to determine the status of our findings.

To accomplish our objectives, we interviewed officials with OFAC and FinCEN. In addition, we reviewed OFAC and FinCEN regulations and program policies and procedures, blocked transaction reports submitted under OFAC's terrorism and narcotics sanctions programs, and SARs from FinCEN.

At OFAC we interviewed:

- Compliance Specialists and the Senior Advisor for Legislative Affairs to obtain an understanding of the 2004 guidance implementation, the transfer of blocking information to FinCEN, and the new method proposed by FinCEN to make blocked transaction report data available to BSA data users.

At FinCEN, we interviewed:

- The Associate Director for the Regulatory Policy and Programs Division, Associate Director for the Analysis and Liaison Division, Deputy Associate Director, Senior Advisor/BSA IT Modernization Program Manager, and the Liaison of the Management Programs Division to obtain an understanding of the intent of the 2004 guidance, issues with its implementation, and communication with OFAC officials.

- The Assistant Director for the Technology Solutions and Services Division, an Intelligence Research Specialist, and an Information Technology Specialist to gain their perspectives on the transfer process between OFAC and FinCEN and the adequacy of transposing blocked transaction report data to the SAR format to make blocked transaction information available to BSA data users.

We reviewed FinCEN's 2004 guidance instructing financial institutions on SAR reporting requirements for blocked transactions. We also reviewed agency documentation pertaining to the processes and controls implemented by both OFAC and FinCEN for the transfer of terrorism and narcotics blocked transaction report data from OFAC to FinCEN.

To assess the extent to which financial institutions are making use of FinCEN's 2004 guidance, we obtained from OFAC all 3,653 terrorism and narcotics blocked transaction reports filed by financial institutions from January 4, 2010 through December 7, 2012. We also obtained a total of 8,972 SARs from FinCEN that were filed by financial institutions during the same time period. Because FinCEN could not directly extract from the database all SARs relating to OFAC blocked transactions, they provided us SARs using two queries. These SARs included 2,062 SARs that had the terms "OFAC" and "Block" or "Blocked" or "Blocking" and 6,910 SARs that had the "Terrorism" checkbox marked.

We then reviewed the SARs for possible matches to OFAC blocked transaction reports involving terrorism or narcotics. We reviewed SAR narratives and found that 672 of the SARs mentioned transactions blocked by OFAC. We then compared the data in these 672 SARs to OFAC blocked transaction report data and found 95 SARs that were direct matches to the OFAC blocked transaction reports. We reviewed these 95 SARs to determine whether they were filed as a result of suspicious activity independent of the OFAC match or information not already provided to OFAC.

We also compared the blocked transaction data in FinCEN's BSA database and the FinCEN Portal with those provided by OFAC. In reviewing both processes, we determined whether all necessary

data elements transferred from OFAC were made available to BSA data users by FinCEN.

We also reviewed OFAC's other sanctions programs in effect at the time of our 2013 fieldwork to determine whether they should be included in the 2004 guidance based on their similarities to OFAC's terrorism and narcotics sanctions programs.

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.

Office of Foreign Assets Control

Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, or other threats to the nation's security, foreign policy, or economy. OFAC maintains a Specially Designated Nationals list, as required by 31 C.F.R. Chapter V, which includes entities or individuals with whom U.S. entities are prohibited from conducting business. OFAC acts under Presidential national emergency powers to prohibit transactions and block assets under U.S. jurisdiction. Prohibited transactions are trade or financial transactions and other dealings in which U.S. persons may not engage unless authorized by OFAC or expressly exempted by statute.

U.S. financial institutions are required by 31 C.F.R. 501 to block and file reports on accounts, payments, or transfers in which an OFAC-designated country, entity, or individual has any interest. These reports must be filed with OFAC within 10 business days of blocking of the property. OFAC manages blocked transaction report data, which includes records of fund transfers, payments, accounts, and other transactions that have been blocked. This data aids OFAC in enforcing sanctions programs, preventing prohibited transactions, making licensing determinations, and submitting reports to Congress.

Financial Crimes Enforcement Network

Financial Crimes Enforcement Network's (FinCEN) mission is to safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. As mandated by the Bank Secrecy Act (BSA), FinCEN supports law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence. FinCEN builds global cooperation with counterpart financial intelligence units; and networks people, ideas, and information.

BSA requires financial institutions to report any suspicious transaction relevant to a possible violation of law or regulation. FinCEN collects suspicious transaction data electronically through Suspicious Activity Reports (SAR), which financial institutions must file within 30 calendar days from the date of the initial detection of suspicious activity. FinCEN then disseminates the SAR data, predominantly by maintaining a government-wide BSA database that BSA data users can access.

FinCEN's 2004 Interpretive Guidance

In 2004, FinCEN issued interpretive guidance, *Interpretation of Suspicious Activity Reporting Requirements to Permit the Unitary Filing of Suspicious Activity and Blocking Reports* (2004 guidance), intended to relieve financial institutions of filing duplicative reports with both OFAC and FinCEN. Previously, financial institutions were required to submit a SAR to FinCEN even though the suspicious activity was already reported to OFAC in a blocked transaction report. FinCEN's 2004 guidance clarified that a SAR would not need to be filed with FinCEN, except in two circumstances, for transactions blocked as a result of sanctions against the following entities:

- Specially Designated Global Terrorists
- Specially Designated Terrorists
- Foreign Terrorist Organizations
- Specially Designated Narcotics Trafficker Kingpins
- Specially Designated Narcotics Traffickers

A financial institution must file a SAR with FinCEN for a transaction blocked under these programs when the institution possesses additional information not reported in the blocked transaction report filed with OFAC or when the facts and circumstances surrounding the OFAC match are independently suspicious of the terrorism or narcotics program.

On a monthly basis, OFAC provides information for transactions blocked as a result of these terrorism and narcotics sanctions programs to FinCEN for inclusion in the BSA database.

The exclusion provided in the 2004 guidance does not apply to transactions blocked under OFAC-administered country-based programs, which require financial institutions to block all transactions of any individual or entity within a sanctioned country. In those cases, financial institutions must determine whether to file a separate SAR with FinCEN to provide details of the blocked transaction, based on the suspicious activity reporting rules.

Appendix 3
FinCEN and OFAC's Management Response



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

December 8, 2017

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL HARKER

FROM: Jamal El-Hindi /s/
Acting Director
Financial Crimes Enforcement Network

John. E. Smith /s/
Director
Office of Foreign Asset Control

SUBJECT: *Management Response to the Final Draft Report – Financial Institutions Used FinCEN Guidance to Avoid Filing Reports with Both OFAC and FinCEN, but BSA Data Users Did Not Have Access to all Data*

Thank you for the opportunity to review the draft report on the Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Asset Control's (OFAC) audit regarding blocked transactions reports. Both organizations are committed to working towards disseminating information to Bank Secrecy Act (BSA) users in a meaningful way, and we will continue to coordinate with each other to accomplish this goal. We acknowledge that not all of the reports were provided to users between 2010 and 2012 due to a technical problem with loading the legacy system, and we appreciate that you also noted in your report that the problem was resolved in 2013, and all data has been provided to our users for the past 4 ½ years.

We also recognize there is a need to review both the current guidance and information sharing agreement to ensure that they are up to date and include any changes or necessary updates since their inception in 2004. To that end, OFAC and FinCEN will review these documents and work together with the Under Secretary for the Office of Terrorism and Financial Intelligence to update them as appropriate to best serve our stakeholder needs.

If you have any questions or need additional information, please contact Becky Martin, Deputy Chief Financial Officer, Office of Financial Management, on 703-905-3860.

Attachment:
FinCEN Corrective Actions

www.fincen.gov

Attachment

FinCEN Corrective Actions

Recommendation 1: In collaboration with the Director of OFAC, reconcile the blocked transaction data to ensure FinCEN makes all data available to BSA data users.

Management Response: Concur. FinCEN and OFAC have implemented a process where OFAC provides all appropriate blocking reports to FinCEN, which are then posted directly to the FinCEN Portal so that all law enforcement users have access to the information provided.

Status: Closed.

Recommendation 2: In collaboration with the Director of OFAC, review the 2004 guidance and information sharing agreement based on changes to sanctions programs and update accordingly.

Management Response: Concur. The Directors of FinCEN and OFAC will collaborate on a review and subsequent revision of the information sharing agreements to determine any changes needing to be incorporated since inception, and FinCEN will revise the 2004 guidance accordingly.

Status: Open. Estimated date of completion is June 30, 2018.

Appendix 4
Major Contributors to This Report

Mark Ossinger, Manager
Anne Ryer, Auditor-in-Charge
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Financial Crimes Enforcement Network

Director

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U.S. Senate

Chairman and Ranking Member
Committee on Banking, Housing, and Urban Affairs

U.S. House of Representatives

Chairman and Ranking Member
Committee on Financial Services

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