



# Audit Report



OIG-18-041

TERRORIST FINANCING/MONEY LAUNDERING

The Universal Suspicious Activity Report and Electronic Filing Have Helped Data Quality But Challenges Remain

March 9, 2018

Office of  
Inspector General

Department of the Treasury

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## Abbreviations

BSA	Bank Secrecy Act
BSA ID	Bank Secrecy Act Identification Number
BSAR	Universal Suspicious Activity Report
FinCEN	Financial Crimes Enforcement Network
GAO	Government Accountability Office
JAMES	Joint Audit Management Enterprise System
OIG	Office of Inspector General
SOR	System of Record

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TIN                      Taxpayer Identification Number

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*The Department of the Treasury  
Office of Inspector General*

March 9, 2018

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Director  
Financial Crimes Enforcement Network

This report presents the results of our audit of the quality of data included in Universal Suspicious Activity Reports (BSAR) collected by the Financial Crimes Enforcement Network (FinCEN) and stored on FinCEN's system of record (SOR) for Bank Secrecy Act (BSA) data.<sup>1</sup> One of the critical functions FinCEN is responsible for under the BSA is the collection, maintenance, and dissemination of data on suspicious activities included in reports filed by financial institutions.<sup>2</sup> FinCEN and the law enforcement community use BSAR data to identify trends and develop intelligence information on money laundering and terrorist financing activities. It is vital that BSAR data be accurate and complete.

Our objective for this audit was to determine if FinCEN's implementation, in March 2012, of the BSAR and FinCEN's April 2013 mandate that all reports be filed electronically has helped the quality of the suspicious activity report data provided by filers. To accomplish our objective, we evaluated filer responses in 39 data fields included in BSARs received at FinCEN from May 2013 through April 2014. We performed our fieldwork from May 2014 to January 2016 with subsequent follow up through January 2017. Appendix 1 provides a more detailed description of our audit objective, scope, and methodology.

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<sup>1</sup> The SOR is an information storage system that is the authoritative data source for all BSA data collected by FinCEN.

<sup>2</sup> Public Law 91-508, 84 Stat. 1114 through 1136 (October 26, 1970).

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## Results in Brief

We reviewed data included on more than 1.75 million discrete and batch filed BSARs received at FinCEN from May 2013 through April 2014. Discrete filed BSARs are entered on-line through forms available on FinCEN's web-based *BSA E-Filing System*. Batch filed BSARs are included in text files received by FinCEN daily from financial institutions. Based on our review of data included in these filings, we found that FinCEN's implementation of the BSAR and the electronic filing mandate have contributed to its ongoing efforts to further the quality of suspicious activity report data. Validation edits implemented on discrete filed BSARs submitted through FinCEN's *E-Filing System* beginning in March 2012, ensured that filers provided responses to most of the 42 data fields FinCEN deemed critical.<sup>3</sup>

For the majority of subject-related critical data fields as well as the information relating to any institutional branch that may have been involved in the suspicious activity, filers have been provided with the option to confirm that the information is unknown or not applicable to the suspicious activity being reported. These additional fields are used to justify non-responses in the associated critical data fields for discrete filed BSARs. Similar options regarding reporting information as unknown or not applicable are available to institutions that submit BSARs to FinCEN in batch files. Although FinCEN did not reject batch filed BSARs with errors and omissions in critical data fields, FinCEN's validation edits identified submissions with certain errors that required filers to submit corrected reports, and isolated other reporting issues where filers needed to improve in future filings. The results of FinCEN's validation edits were provided back to filers in acknowledgement

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<sup>3</sup> The 42 critical data fields were identified as critical by FinCEN, meaning they required a filer response and were not to be left blank in FinCEN's *BSA E-Filing System*. We reviewed filer responses included in 39 of the 42 critical data fields. We did not evaluate filer responses in the 3 data fields used to record Taxpayer Identification Number (TIN) type values for the reporting financial institution, institution location where the suspicious activity occurred, and each subject, because we were unable to validate if the proper TIN type values were entered. We did, however, confirm that entries are required in these 3 fields for discrete filings.

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records generated for each batch filed BSAR uploaded to FinCEN's SOR.<sup>4</sup>

Our review of 39 critical data fields for more than 1.75 million discrete and batch filed BSARs received at FinCEN, during the period May 2013 through April 2014, found one or more data quality errors in 33.5 percent of the filings.<sup>5</sup> The most common errors identified related to critical data fields with no entries when a response for that data field was expected, and included many batch filed BSARs where the filers did not include sub-records in the submissions that would contain the critical information.<sup>6</sup> The results of our review, while not directly comparable to the results attained in our prior audit of suspicious activity report data quality, are indicative of improvement in data quality which may be attributable to the implementation of the BSAR and FinCEN's electronic filing mandate.<sup>7</sup> FinCEN acknowledged the importance of the critical data fields and efforts to ensure data integrity. According to FinCEN, imperfect BSARs still provide value to law enforcement and missing information in certain contexts do not result in fatally flawed BSARs.

We also found inconsistencies in how filers report certain critical data fields such as institution name or address, and examples where FinCEN's address enhancement tool, designed to improve BSAR address information based on limited information provided by the filers, did not always work as intended. FinCEN's controls also did not ensure that filers provided the prior document numbers assigned to the original filings when submitting discrete BSARs to continue reporting on a suspicious activity, nor did FinCEN institute

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<sup>4</sup> Acknowledgement records generated by FinCEN include the BSA Identification Number (BSA ID) assigned to each BSAR as well as information on errors identified by FinCEN's validation edits on certain data fields.

<sup>5</sup> Data quality errors are defined as non-responses in data fields where responses were expected, as well as responses that were not in compliance with FinCEN filing instructions and guidance.

<sup>6</sup> Each batch filed BSAR can be comprised of up to 19 sub-record types, each containing certain detail information relating to a segment of BSAR data. While certain of these sub-records are required to be included in the filings, other sub-records are optional based on the filers responses in key data fields included in the required sub-records.

<sup>7</sup> In our prior audit, *SAR Data Quality Requires FinCEN's Continued Attention* (OIG-10-030; issued January 19, 2010), we evaluated 17 data fields deemed critical by FinCEN. We identified one or more data quality issues in 59 percent of the filings evaluated.

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procedures to ensure filers re-submitted BSARs when directed to do so. FinCEN officials reported that a system modification implemented in July 2016 ensures that a response in the prior document number data field is provided by the filer when submitting discrete BSARs to continue reporting on a suspicious activity. Batch filed BSARs, however, continue to be accepted in cases where a valid response in the prior document number field is not provided. FinCEN does not notify or follow-up with filers regarding missing or invalid prior document numbers.

In addition, we identified 11 critical fields where FinCEN's *BSA E-Filing System* inappropriately accepted space bar entries as valid responses in these fields. FinCEN officials reported that this deficiency was corrected in July 2016 and that the *BSA E-Filing System* no longer allows space bar entries as valid responses.

We are recommending that FinCEN (1) address areas for which additional filer education is needed for specific instances or systemic errors identified with specific filers or the filer community to reduce invalid and non-responses, including guidance on the mechanics for proper reporting of data fields for which the values requested are unknown; (2) implement controls in FinCEN's validation edits that systemically identify batch filed BSARs that do not include a subject address or institution branch sub-record when these records are expected; (3) develop a methodology to systemically identify inconsistent and incomplete filer responses in critical data fields for all filings, and identify filers with systemic issues and notify them as deemed appropriate; (4) implement controls to ensure that BSARs in which a valid response is not provided in the prior document number field are systemically identified as errors by FinCEN and filers are notified of this condition; and (5) implement controls to identify and track BSAR filings with primary errors and determine if filers comply with FinCEN policy requiring correction and resubmission. FinCEN should take action, where appropriate, against filers that fail to comply with FinCEN's resubmission policy.

In a written response, which is included in its entirety as appendix 3, FinCEN management concurred with our recommendations. FinCEN management stated that it follows its standard operating



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procedures and provides outreach and engagement with filers who have demonstrated systemic errors. FinCEN will continue to use education and outreach as a means to help filers become more diligent in submitting requested information. FinCEN management has also implemented a SAR data quality review program to identify significant systemic BSAR errors made by individual financial institutions and report such errors to the institutions. FinCEN management states that this program along with its file validation processes provide the balance of data quality with data timeliness and usefulness.

FinCEN management also stated that it is committed to ensuring that BSAR information received is not only relevant but also reliable and useful. While management recognizes the audit report highlights data quality issues which could be further perfected, FinCEN stated that it must and will continue to balance this goal against its goal of getting the most valuable data to law enforcement as quickly as possible. Further, FinCEN will continue to use its data management process to regularly review and prioritize form field edit and validation requirements when forms are updated or changed.

We consider FinCEN's actions taken to be responsive to our recommendations. We have summarized the response in the recommendation sections of this report. Management will need to record the actual date of completed corrective actions in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system.

## **Background**

FinCEN's mission is to safeguard the financial system from illicit use, combat money laundering, and promote national security through the collection, analysis, and dissemination of financial intelligence and the strategic use of financial authorities. Among its responsibilities, FinCEN administers the BSA, the nation's most comprehensive Federal anti-money laundering and counter terrorism financing statute.

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The BSA, as amended, requires U.S. financial institutions to assist U.S. government agencies in detecting and preventing money laundering, terrorist financing, and other financial crimes. Regulations promulgated under the BSA require financial institutions to file reports of suspicious activities with FinCEN for transactions exceeding \$5,000 (or \$2,000 for certain types of financial institutions), that the institutions know, suspect, or have reason to suspect are intended to evade any federal law or regulation, involve illegally obtained funds, or have no business or apparent lawful purpose.<sup>8</sup>

### **Universal Suspicious Activity Reports**

FinCEN collects information on suspicious activities through reports filed by financial institutions. This information is stored on FinCEN's SOR and accessed by authorized users through *FinCEN Query*, its on-line tool used to search, retrieve, and analyze BSA data. In March 2012, FinCEN introduced a new suspicious activity report form designed for use by all industry members.<sup>9</sup> The BSAR, developed through dialogue with FinCEN's federal law enforcement and regulatory partners, contained standardized data fields applicable to all industry members as well as other fields to indicate suspicious activity characterizations most relevant to each type of industry member. Forty-two data fields included in the BSAR have been deemed critical by FinCEN, with most requiring a filer response when attempting to submit BSARs through FinCEN's *BSA E-Filing System*.

Beginning in April 2013, FinCEN mandated all filers use the BSAR and submit filings to FinCEN electronically, through one of two methods. Discrete filed BSARs are entered through on-line forms and submitted individually or in groups through FinCEN's *BSA E-Filing System*. Validation edits for discrete filed BSARs ensured

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<sup>8</sup> 31 C.F.R. 1020.320 (depository institutions), 31 C.F.R. 1021.320 (casinos), 31 C.F.R. 1022.320 (money services businesses), 31 C.F.R. 1023.320 (brokers or dealers in securities), 31 C.F.R. 1024.320 (mutual funds), 31 C.F.R. 1025.320 (insurance companies), 31 C.F.R. 1026.320 (futures commission merchants and introducing brokers in commodities), 31 C.F.R. 1029.320 (loan or finance company) and 31 C.F.R. 1030.320 (housing government sponsored enterprise).

<sup>9</sup> FinCEN mandated all filings be submitted electronically in the new BSAR format no later than July 1, 2012. In response to problems encountered by several institutions, FinCEN allowed filers to submit reports on paper forms, until March 31, 2013.

that filers entered responses for almost all of the critical data fields. Batch filings involve the submission of one or more BSARs in text files through the *BSA E-Filing System* or directly transferred from the filing institution's server to FinCEN's server. Each batch filed BSAR can be comprised of up to 19 sub-record types, each containing information relating to certain topical areas of the BSAR. Five types of sub-records must be included for each BSAR, while the remaining 14 sub-record types are optional, depending on the availability or applicability of information covered by these sub-records.<sup>10</sup> FinCEN's validation process ensures filers include the five required sub-record types for each BSAR submitted in batch files.

Information provided by FinCEN identified 1,751,166 BSARs were received during the period May 2013 through April 2014. Approximately 26 percent (458,218) of these BSARs were discrete filings while the remaining 74 percent (1,292,948) were included in batch file submissions. Table 1 below identifies BSAR filings by institution type and filing method.

**Table 1: BSARs Received May 2013 through April 2014 by Institution Type & Filing Method**

<b>Institution Type</b>	<b>Batch</b>	<b>Discrete<sup>1</sup></b>	<b>Total</b>
Depository institutions	821,682	173,527	995,209
Money services businesses	440,124	217,653	657,777
Casinos and card clubs	17,577	20,882	38,459
Other financial institutions	4,371	30,544	34,915
Securities and futures firms	7,613	13,414	21,027
Insurance companies	1,449	2,094	3,543
Unidentified <sup>2</sup>	132	104	236
<b>Total</b>	<b>1,292,948</b>	<b>458,218</b>	<b>1,751,166</b>

Source: Department of the Treasury Office of Inspector General (OIG) analysis of BSAR data.

Note 1: Discrete totals include 869 reports filed on paper forms and loaded to the SOR by FinCEN through *BSA E-Filing System* entries.

Note 2: The Filing Institution Type data field did not include a response for these BSARs.

<sup>10</sup> *FinCEN Suspicious Activity Report Electronic Filing Requirements*, December 2013.

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## **FinCEN Performed Periodic Data Quality Studies**

FinCEN performs periodic data quality studies of BSAR data by developing statistics on the numbers and percentages of errors in the critical data fields identified during FinCEN's validation processing of filer BSAR submissions. Through these studies, FinCEN can identify overall problem areas in the quality of BSAR data and the specific filers that have high percentages of errors in responses to critical data fields. FinCEN has included guidance to filers, addressing certain data quality issues found in its studies in some of FinCEN's annual *SAR Stats Technical Bulletin* publications. FinCEN also targets filers with high percentages of errors in the critical data fields which indicate systemic reporting problems. FinCEN requires these filers to correct the deficiencies and conducts follow-up studies to ensure appropriate and timely corrective actions were taken.

## **Audit Results**

FinCEN's implementation of the BSAR and the electronic filing mandate have contributed to its ongoing efforts to further data quality. FinCEN has designed controls and issued filing requirements and guidance to require responses for most of the critical data fields and allow filers to justify non-responses for a number of these data fields. FinCEN's front end validation edits on discrete filings were designed to prevent discrete BSAR submissions without a response entered in almost all of the critical data fields. Filers were provided the option to indicate that values for certain individual critical data fields or entire segments of BSAR data were unknown, or were not applicable to the suspicious activity being reported on.

FinCEN's validation edits on batch filed BSARs were performed when the files were received. FinCEN loaded batch filed BSARs to its SOR unless (1) the structure of the batch file was invalid, (2) one or more of the required sub-records were not included for any BSAR in the batch file, or (3) one or more fatal errors defined

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in FinCEN's filing requirements were found in the batch file.<sup>11</sup> FinCEN's policy is to accept all batch filed BSARs regardless of any errors or omissions in the filer responses. FinCEN officials stated that while the 39 data fields evaluated by the OIG have been identified as critical, errors or omitted responses in some of these fields are less impactful than others as the data can often be derived from analyses of responses in other data fields. The absence of information in one or more of these fields does not invalidate the value of the information provided in the BSAR. Despite FinCEN's efforts, challenges remain in the bureau's efforts to continue to improve the quality of BSAR data.

## **Finding 1**

### **Invalid and Non-Responses in Critical Data Fields as well as Omitted Sub-Records Remain Challenges for FinCEN**

Our review of responses to 39 critical data fields in 1,751,166 batch and discrete filed BSARs received at FinCEN during the period May 2013 through April 2014, found one or more data errors in 33.5 percent (586,190) of the filings. Of these totals, 16 percent (94,166) related to discrete filings while the remaining 84 percent (492,024) were associated with batch filings. These errors included invalid responses provided by filers, along with the unjustified omission of subject address or institution branch sub-records, and non-responses in critical data fields where responses were expected. Appendix 2 summarizes the number of BSARs with invalid responses we found in the 39 critical BSAR data fields we reviewed.

#### Sub-Record Omissions Limited the Value of BSAR Information

Our review found 46,942 batch filed BSARs where subject address sub-records were not provided by the filer for one or more of the subjects included in the filings. In each of these cases the checkbox in the subject master record was not used to certify that all critical subject information was unknown and justify the omission of the address sub-records. Similarly, 173,004 batch filed BSARs noted that a branch of the financial institution was involved in the suspicious activity, but no branch sub-record was included in

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<sup>11</sup> Fatal errors include BSARs submitted without required information about the filing institution or the institution where the suspicious activity occurred.

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the filings.<sup>12</sup> We considered each of the critical data fields that should have been included in the subject address and institution branch sub-records for the impacted BSARs to be unjustified omissions.

FinCEN's *Suspicious Activity Report Electronic Filing Requirements* instructs batch filers to not include branch sub-records when no branch of the institution is involved in the suspicious activity and to omit subject address sub-records if all of the subject information is unknown.<sup>13</sup> The filers are also instructed to justify the sub-record omissions by populating related fields in the institution location and subject master sub-records. Our testing confirmed that filers did not activate the fields that would justify the omission of the institution branch or subject address sub-records for the 219,946 filings noted above.

FinCEN officials confirmed that batch file processing parameters did not result in the rejection of batch files when expected subject address sub-records were not provided by the filers for one or more BSARs in the files. In addition, FinCEN's validation edits for batch filed BSARs uploaded to FinCEN's SOR did not identify subject address sub-record omissions as errors in acknowledgement records provided to the filers. FinCEN officials stated that in some cases, filers did not provide one or more address sub-records for each subject in the BSAR, while in other cases, filers misinterpreted FinCEN's filing instructions and did not sequence the address sub-records properly in their submissions. In these cases, the address sub-records provided by the filers were linked to one subject when uploaded to FinCEN's SOR, while other subjects were loaded with no address sub-records linked. These conditions would only be rectified if filers subsequently identified the issue and submitted corrected BSARs with all subject address sub-records appropriately sequenced.

FinCEN recognized the importance of subject address information, and have proposed adding validation error messages to

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<sup>12</sup> Filers are required to submit a record for the branch involved in the suspicious activity unless the "no branch involved" checkbox is activated in the associated institution location record. For the 173,004 BSARs noted, the filers did not activate this checkbox.

<sup>13</sup> FinCEN's *Suspicious Activity Report Electronic Filing Requirements*, Dec. 2013.

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acknowledgement records where an expected subject address sub-record was not provided to alert filers of the deficiencies in their submissions. FinCEN did revise its batch filing instructions in 2014 to clarify the proper sequencing of sub-records. Regarding the omitted institution branch sub-records, FinCEN officials stated that this issue was considered to be a minor reporting error, not warranting the rejection of an entire batch of BSARs.

In January 2017 FinCEN officials stated that proposed system changes to include validation error messages in acknowledgement records for batch filed BSARs with omitted sub-records remained outstanding. Because FinCEN classified these issues as routine, FinCEN planned to consider the proposed changes in the upcoming BSAR update and renewal cycle. FinCEN stated that it plans to obtain stakeholder input on these issues to determine if the proposed changes should be made.

#### Filers Failed to Provide Responses in Many Critical Data Fields

Our review found many BSARs where filers did not enter a response in one or more critical institutional or subject related data fields or justify the non-responses where appropriate. These types of non-responses primarily impacted batch filed BSARs as non-responses in discrete filings were minimal, due to FinCEN's controls that required entries for most of these data fields. The data field with the highest number of non-responses was the prior document number, a field designed for filers to provide the unique number assigned by FinCEN to each BSAR previously uploaded to FinCEN's SOR.<sup>14</sup> Table 2 below identifies the counts of BSARs that had the highest number of non-responses in the critical data fields.

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<sup>14</sup> The prior document number data field was designed for the filer to enter the BSA ID or older Document Control Number assigned to prior filings that the new submission was intended to correct or amend, or was submitted to continue to report on the same activity.

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**Table 2: Critical Data Fields with Highest Volumes of Non-Responses**

<b>Field Description</b>	<b># of BSARs With Non- Responses</b>
Prior Document Number	105,099
Suspicious Activity Amount Involved	21,012
Subject Identification – Issuing Country	13,519
Subject - State	7,696
Subject - Country	6,509
Financial Institution Location - Legal Name	4,867
Financial Institution - Contact Office	4,749
Financial Institution - Name	4,665
Subject - Last Name	4,458
Subject - Date of Birth	4,438
Subject - First Name	4,299
Type of Suspicious Activity	2,510
Financial Institution Location-Institution Type	1,273

Source: OIG analysis of BSAR data.

For certain critical data fields such as the institution name, or the type of suspicious activity that was the basis for the filing, FinCEN expected responses to be provided by the filer. For many of the other critical data fields, FinCEN provided mechanisms for filers to justify non-responses if the values were unknown. For example, for nine critical subject data fields, FinCEN’s filing requirements stated that filers are to activate checkboxes to indicate cases where the subject values are unknown. FinCEN considered non-responses to be valid when identified as unknown in the accompanying checkboxes.

Non-responses found in critical institutional data fields such as the name, institution type or contact office as well as the type of suspicious activity being reported is troubling in that data for these fields should always be known to the filer. The non-responses identified in our results point to filer uncertainty in entering BSAR information or simple carelessness in completing the submissions, factors that if fully addressed by FinCEN, would improve data quality.



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## Invalid Filer Responses Diminished Data Quality

Our review also found issues with filer responses to many critical data fields such as the examples described below.

- Suspicious Activity Type: 135,152 BSARs where the filer selected "other" for the suspect activity type, and entered words in the associated "other suspect activity description" data field that did not meet FinCEN's standard for a brief description of the activity or were specifically prohibited by FinCEN filing requirements and guidance.
- Financial Institution Address: 27,597 BSARs with a post office box entered for the filing institution address. A number of these responses included a street address after the post office box entry in the institution address field.<sup>15</sup> FinCEN's filing requirements prescribe that a post office box or rural route number should only be used if no other street address information is available. We researched street addresses for 18 of the filers with the highest number of post office box entries included in the institution address field. We found street addresses for each of the 18 filers, comprising 16,852 submissions.
- Financial Institution Name: 17,920 BSARs where filers failed to provide a valid response for the financial institution name. In many cases, filers provided the institution's address in this field or entered a generic response such as "*Main Office*" or "*Financial Institution*", that were not the actual name of the institution. This was a concern since the filers should always be able to provide accurate responses for this critical data field.
- Prior Document Number: 13,719 BSARs where filers failed to provide a valid prior document number or properly indicate that the value was unknown when filing corrected or

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<sup>15</sup> FinCEN's address enhancement tool often removed the street address values when attempting to standardize filer responses in the enhanced address data field. The filer's original address responses and FinCEN's enhancements are both retained in the SOR.

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amended BSARs or BSARs to continue reporting on previously reported activities.

According to Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* "management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements... Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent."<sup>16</sup> When filers provide responses not in line with the purpose of the values that FinCEN intended in its data collection efforts, the overall quality and usefulness of the BSAR data is diminished.

FinCEN filing requirements also prescribe how filers are to complete many of the critical data fields included in the BSAR. These requirements also instruct filers on values that should not be used such as "see narrative" or "same as above" in text fields, as well as certain terms or words that are prohibited. FinCEN's goal is for filers to provide consistent responses that are accurate, useful to the user community, and properly entered in the data fields designed to capture the information. In some cases, FinCEN's instructions include the options available to filers on how to respond when information is unknown or not applicable. Rather than entering a response that is of limited or no value such as "do not know", "not applicable", or "not sure", FinCEN includes several checkboxes to be used when data is unknown in critical data fields.

We believe that while FinCEN's BSAR and electronic filing mandate have contributed to both the volume of responses received and the number of responses deemed valid, FinCEN needs to continue to identify areas of concern such as unjustified omissions, non-responses, and invalid entries, and work with filers to further improve data quality.

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<sup>16</sup> GAO, *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1); issued Nov. 1999. GAO's September 2014 revision (GAO-14-704G), which became effective in 2016, also includes these requirements.

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## Recommendations

We recommend that the Director of FinCEN:

1. Address areas for which additional filer education is needed for specific instances or systemic errors identified with specific filers or the filer community to reduce invalid and non-responses, including guidance on the mechanics for proper reporting of data fields for which the values requested are unknown.

### Management Comments:

FinCEN management concurred with the recommendation. According to management's response, FinCEN follows a data quality standard operating procedure and provides appropriate outreach and engagement with filers who have demonstrated systemic errors.

### OIG Comment:

FinCEN's actions meet the intent of our recommendation.

2. Implement controls in FinCEN's validation edits that systemically identify batch filed BSARs that do not include a subject address or institution branch sub-record when these records are expected.

### Management Comments:

FinCEN management concurred with the recommendation. According to management's response, FinCEN assesses data quality through its standard operating procedure process and reaches out to filers appropriately. Within this process, FinCEN continuously reviews and prioritizes data validations as well as form instructions through data management. Putting validation as a first priority requires rejecting batches which may contain

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highly valuable data with only a few errors or omissions, and FinCEN does not want to do this. As such, FinCEN has implemented controls since the inception of this audit to systematically review data quality. As part of its current SAR data quality assessment process, FinCEN's Data Quality & Metrics Section quarterly report identifies all institutions that filed BSARs with a missing subject address or institution branch address. When this quarterly SAR error report identifies institutions where such errors appear to be systemic, a formal data quality assessment is conducted to verify that it is systemic and to search for other errors in the BSARs. When systemic errors are verified, a formal assessment document is prepared and sent to FinCEN's Liaison Division, which then conducts outreach to the financial institution to have the errors corrected. FinCEN later conducts follow-up assessments to verify that the cited errors have been corrected. According to FinCEN management this process has greatly reduced missing data. In addition, FinCEN will continue to use its data management process to regularly review and prioritize form field edit and validation requirements when forms are updated or changed.

OIG Comment:

FinCEN's actions meet the intent of our recommendation. In January 2017, FinCEN officials stated that a system change was proposed to its validation process to alert filers when a batch filed BSAR did not include a subject address or institution branch sub-record. FinCEN planned to consider the proposed change in the upcoming BSAR update and renewal cycle. With that said, during our exit meeting, a FinCEN official stated that rejecting an entire batch of BSARs that may contain a few errors in the subject address or institution branch fields may result in FinCEN losing valuable timely data that would be beneficial for its law enforcement partners. We agree with FinCEN that an entire batch of BSARs should not be rejected for containing a few errors in the subject address or institution branch fields.

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## Finding 2

### **Inconsistent and Incomplete Filer Responses Continued to Impact Data Quality**

FinCEN's implementation of the BSAR and electronic filing mandate have focused on requiring filers to provide responses to critical data fields, and, for many data fields, justifying non-responses when the information is unknown or not applicable. Our analyses, however, found inconsistent and incomplete responses provided by filers, as well as numerous responses in critical data fields that, while not classified as invalid, were examples of poor quality reporting, often not in conformance with FinCEN filing requirements and guidance, and of limited value to users.

The filer responses entered in the critical data fields as well as information included in other related fields on the BSAR, indicated that, in some cases, it was likely that the values were known to the filers but were not provided. For example, we noted responses where the filers provided information on the city, state and zip code, but did not provide a value in the country code, in some cases, indicating the country was unknown. In other cases, the filers provided the institution name with a "Doing Business As" designation in place of the institution name or the filers entered responses such as "See Narrative" or "See Above." Clearly the filers could have provided appropriate responses in these fields since the filings originated from the financial institutions.

#### Inconsistent Responses in Critical Data Fields Impedes Data Quality

Our analysis identified inconsistencies in filer responses for all of the critical data fields evaluated. Inconsistencies found included spelling and transposition errors entered by filers, along with inappropriate use of abbreviations and special characters or designations prohibited by FinCEN. Inconsistent responses degrade the overall quality and usefulness of BSAR data.

GAO defines consistency as "data that are clear and well defined enough to yield similar results in similar analyses." "If data are entered at multiple sites, inconsistent interpretation of data entry

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rules can lead to data that, taken as a whole, are unreliable.”<sup>17</sup> When filers do not enter responses in critical data fields consistently or fail to adhere to FinCEN filing requirements regarding responses that are prohibited, the quality and reliability of the BSAR data is diminished.

Basic information relating to the filer is included in the institution level information of the BSAR, and is designed to identify the filer’s location, and how to contact the filer if needed. We expected some measure of consistency in responses for filing institution data as opposed to subject related data fields where the filer may not know the precise information about the subject. Our review, however, noted issues with responses in all areas of BSAR data provided by filers that we believe could be improved.

For example, our analysis of 12,654 BSARs filed by one institution over the 12 month period evaluated, revealed that the filer spelled the name of the financial institution 85 different ways, including several misspellings of the institution’s name. We also found numerous errors and inconsistencies in this filer’s responses for the institution’s address, city, state, and zip code, as well as 8 variations in the institution TIN provided. Although we did not consider most of these responses to be erroneous, the inconsistencies degraded the quality of the data on FinCEN’s SOR and could have been avoided. Inconsistent responses in institutional level data could also make it difficult for users to accurately determine the number of BSARs filed by an institution.

We also found many responses provided in the institution telephone contact number data field to be inconsistent with the telephone number format required by FinCEN filing requirements. For example, we identified 24,410 entries where the institution telephone contact number provided a “1”, along with the area code and telephone number. These responses were inconsistent with FinCEN filing requirements which instructed filers to provide only the area code and seven-digit telephone number for North America locations.

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<sup>17</sup> GAO, *Assessing the Reliability of Computer-Processed Data (GAO-09-680G)*; issued July 2009.

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Our review of the field designed to capture the name of the filing institution's contact office found 6,742 filings that included a telephone number in this field rather than the name of the contact office. There were 1,491 filings where the filer entered responses in this field such as "See Above" or "Same as 92", referencing filer responses entered in other BSAR data fields. In these cases, because of the responses provided, the filer had the information to provide an accurate response but failed to enter the information as instructed.

Another example of inconsistent responses was found in our analysis of the institution and subject city data fields. Our review identified numerous variations in the responses provided for the same city values. Responses such as "St. Louis", "STL", "PHX", "Vancouver/BC", and "NYC" were found in some submissions, while other submissions for these same locations included values such as "Saint Louis", "Vancouver", "Phoenix", and "New York", or other variations of these values. FinCEN's filing requirements instruct filers not to use abbreviations and prohibits the use of special characters such as a period or a slash in responses. Despite FinCEN's requirements, we found special characters or abbreviations entered in responses to many data fields in the BSARs reviewed. While the intended value of many of these responses could be derived from the filer provided information, these inconsistencies make it more difficult for users of the data to retrieve and analyze the data.

The quality of filer responses in both institution and subject address data fields were of particular concern. Our review identified numerous instances where the filers' responses were incomplete, which limited the value of the information. For example, we found entries where the address provided was listed as a shopping center, or included the business name along with an address or portion of an address. In other examples, we found subject or institution address entries such as "112 B", "114 S" and "US 25E." It appeared from these responses that the filer was aware of the address values, but failed to provide full responses.

Critical data fields such as the institution or subject address require added filer attention to provide the best possible responses unlike

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state or country fields which have limited responses that can be entered. The use of prohibited abbreviations, special characters, different naming conventions, and incomplete addresses are examples of issues with responses that could be avoided.

FinCEN's filing requirements provide filers with instructions on how to enter responses for data fields, including those fields that do not have a finite set of values. When filers fail to adhere to FinCEN instructions, the quality and the usefulness of the BSAR data is degraded and more difficult to use. FinCEN officials stated that they were aware of consistency issues in filer responses and that although FinCEN's validation testing does not assess responses to all critical data fields for consistency, if the condition is noted during FinCEN quality assurance reviews, FinCEN will instruct the filer to correct the issues in future filings. FinCEN performs follow-up studies on specific financial institutions to determine if identified problems have been corrected.

#### FinCEN's Enhancement Tool Was Used to Normalize Address Related Responses

FinCEN implemented an enhancement tool, using a commercial, off-the-shelf software package designed to normalize filer responses included in certain critical data fields such as the address, city, state, zip code, and country values for both institution and subject related information. The enhanced values were stored on FinCEN's SOR along with the original filer responses. The enhancements included capitalization of all entries, updates of abbreviations to full wording, and correction of certain inaccuracies in filer reporting, such as the use of an incorrect zip code for the city and state reported.

We identified cases in which valid filer responses were updated in the enhanced data fields to incorrect values. For example, in one instance, a filer correctly reported an institution's address in Canada. FinCEN's enhancement process, however, incorrectly modified the state and zip code supplied by the filer, to values associated with the state of Iowa, and modified the enhanced country code to the United States. While both the original responses and enhanced fields were available to users, updates



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such as this make it difficult to determine which pieces of information are correct. In another case, the software correctly enhanced an invalid response in the subject city field to “Houston” but updated the country code for these same records from “US” to “UN”.

FinCEN officials noted that while inaccurate enhanced values in its SOR could be manually corrected, FinCEN does not control how the software package evaluates address entries. FinCEN relied on the values reported by filers and the enhancement methodology in the vendor package. While we recognize the value of FinCEN’s efforts to enhance and normalize filer responses, increased emphasis on FinCEN’s outreach to filers to provide better quality responses to all critical data fields, would further improve overall BSAR data quality along with FinCEN’s address enhancements.

## **Recommendation**

3. We recommend that the Director of FinCEN develop a methodology to systemically identify inconsistent and incomplete filer responses in critical data fields for all filings, and identify filers with systemic issues and notify them as deemed appropriate.

### Management Comments:

FinCEN management concurred with the recommendation. As part of its current SAR data quality assessment process, FinCEN’s Data Quality & Metrics Section quarterly report identifies all institutions where errors appear to be systemic. A formal data quality assessment is conducted to verify that it is systemic and to search for other errors in the BSARs. When systemic errors are verified, a formal assessment document is prepared and sent to FinCEN’s Liaison Division, which then conducts outreach to the financial institution to have the errors corrected. FinCEN later conducts follow-up assessments to verify that the cited errors have been corrected. According to FinCEN management, this process has greatly reduced missing data. In addition, FinCEN will continue to use its data management process to regularly review and prioritize form field edit and validation requirements when forms are updated or changed.

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OIG Comment:

FinCEN's actions meet the intent of our recommendation. FinCEN's data quality assessment and data management process demonstrate FinCEN's commitment to data quality.

**Finding 3**

**Certain Controls Over BSAR Processing Were Weak**

FinCEN controls did not ensure filers provided the prior BSA document number when submitting new BSARs intended to correct or amend prior filings, or to continue reporting on suspicious activities. In addition, FinCEN did not ensure batch filers re-submitted BSARs when required to do so, and its *BSA E-Filing System* inappropriately accepted space bar entries as valid responses for certain critical data fields.

BSARs to Correct or Amend Prior Filings or to Continue Reporting on an Activity Were Accepted Without Prior Document Numbers.

Our analysis found that, contrary to FinCEN filing requirements, 105,099 BSARs filed to amend or correct prior submissions, or filed to continue reporting on suspicious activities, did not include any value for the prior document number data field. There were 18,504 of these BSARs that were discrete filings while the remaining 86,595 BSARs were batch filed. Without the document number assigned to the prior filing, FinCEN could not link the new submissions with the prior filings in the SOR.

FinCEN assigns a BSA ID to each BSAR uploaded to the SOR. For batch filings, BSA IDs are included in acknowledgement records returned to the filers to confirm FinCEN's acceptance of their submissions. For discrete filings, the BSA ID number is provided to filers once each record has been accepted for inclusion in FinCEN's SOR.

FinCEN filing requirements require filers to provide either the BSA ID or older Document Control Number assigned to the prior filing in the prior document number data field when submitting a BSAR to correct or amend a prior filing, or to continue reporting on a

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suspicious activity.<sup>18</sup> The prior document numbers help FinCEN and users of BSA data link BSAR filings associated with the same activity reported in prior filings. Filers are also instructed to enter all zeros for this data element if the previously assigned document number is unknown.

We analyzed the 105,099 BSARs submitted to correct or amend prior submissions or to continue reporting on suspicious activities, in which the filers did not provide a response in the prior document number data field. We found that FinCEN was unable to link any of the 105,099 submissions to prior filings. Conversely, our review of 165,630 BSAR filings where a prior document number was provided by the filer, we found that FinCEN was able to link 147,334 of these submissions to the prior BSAR filings. For the remaining 18,296 submissions, we found that filers did not provide a valid BSA ID, entered older Document Control Numbers no longer in use, or included only a "0", denoting that the prior document number was unknown to the filer.

FinCEN's validation edits over discrete filed BSARs did not include edit checks to ensure filers provided a valid response for the prior document number data field when filing BSARs to continue reporting on previously reported suspicious activity.<sup>19</sup> FinCEN officials acknowledged that this deficiency existed in the *BSA E-Filing System* during the audit period, and reported that a system modification to require an entry in the prior document number field was implemented in July 2016.

FinCEN's validation process for batch filed BSARs did not include edits for the prior document number data field to identify improper reporting conditions and alert filers of the deficiencies. FinCEN's policy was not to reject batch files that include errors such as non-

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<sup>18</sup> For BSAR submissions associated with older filings, filers can enter Document Control Numbers that were used by FinCEN prior to the introduction of BSA IDs.

<sup>19</sup> Our testing determined that a response in the prior document number field was required for discrete filed BSARS submitted to correct or amend prior filings. Despite this control, our analyses identified 1,014 discrete filed BSARS correcting prior submissions with no entry in the prior document number field. It was unclear if blank spaces were entered in this field to circumvent controls in the *BSA E-Filing System* which require an entry be made. The 1,014 BSARs are included in the count of 18,504 BSARs with no prior document number previously noted.

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responses or invalid entries in the prior document number data field.

FinCEN Did Not Ensure that Batch Filers Submitted BSARs to Correct Prior Submissions Found to Have Primary Errors

As part of FinCEN's load process, responses in many critical data fields included in batch filed BSARs are evaluated to determine if responses were provided, and in many cases, to determine the validity of the responses. FinCEN classifies errors noted in filer responses as primary and secondary level filing errors.<sup>20</sup> Information on the results of FinCEN's validation of batch filed BSARs uploaded to the SOR is provided to the filers in acknowledgement records.

FinCEN's filing requirements state that primary errors in BSAR filings are errors that violate electronic filing requirements or instructions and so degrade the quality of suspicious activity report data that they must be corrected. FinCEN further recommends that corrections be made no later than within 30 days of filers receiving error notifications.<sup>21</sup> The requirements also note that FinCEN monitors filings to identify financial institutions that fail to correct primary errors or prevent previously reported errors of any type in future filings and that FinCEN may report such failures to the financial institution's primary regulator or BSA examiner.

Interviews with FinCEN officials determined that FinCEN had no mechanism in place to ensure that filers comply with resubmission requirements for BSARs with primary errors. While FinCEN instructs filers that they are required to correct submissions, FinCEN did not systemically evaluate subsequent submissions to determine if corrected BSARs were submitted and the issues resolved.

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<sup>20</sup> Examples of primary errors include the failure to provide a valid primary Federal regulator code, a subject last name, or TIN, unless the subject values are unknown. Secondary errors are responses that violate FinCEN's electronic filing requirements or instructions, but have a lesser impact on the quality of suspicious activity report data. Secondary errors include zip codes that end in four zeros, missing dates of birth, or invalid telephone numbers.

<sup>21</sup> All secondary errors noted in filings with primary errors must also be corrected by filers.

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In accordance with its requirements, FinCEN should establish a mechanism for monitoring filer compliance with BSAR resubmission requirements to ensure corrections are made timely, non-compliant filers are identified, and corrective actions taken.

#### Controls Over Discrete Filings Allowed Space Bar Entries as Valid Responses for Certain Critical Data Fields

Our testing of FinCEN's public *BSA E-Filing User Test System* found that for 11 critical data fields, the test system accepted space bar entries as valid responses.<sup>22</sup> For example, we attempted to simulate submission of a discrete BSAR with no entry in the Subject First Name data field. The test system returned an error message indicating that an entry was required for this field unless the "*Subject First Name Unknown*" checkbox was activated by the filer. When we entered one or more spaces as the response in the Subject First Name data field, the value was accepted as a valid response. We found similar results in our testing of 10 other critical data fields.<sup>23</sup>

FinCEN's controls for the *BSA E-Filing System* were designed to require filers to enter responses in the 11 critical data fields tested, or, where applicable, require filers to indicate that the piece of information requested was unknown. We believe that the acceptance of space bar entries as valid responses is contrary to FinCEN's intent for these data fields, as well as FinCEN's filing requirements instructing filers on how to report unknown values.

FinCEN officials were unaware of this system defect but confirmed that FinCEN's *BSA E-Filing System* used by financial institutions had the same controls in place as found on the test site. The officials agreed that the controls for the *BSA E-Filing System* allowed filers to use space bar entries as valid responses for the critical data fields tested by OIG. FinCEN officials stated that a system modification was implemented in July 2016 preventing

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<sup>22</sup> FinCEN's *BSA E-filing User Test System* is designed for users to familiarize themselves with the information needed to submit BSARs and is designed to work in the same fashion as the *BSA E-Filing System*.

<sup>23</sup> These data fields included the filing institution name, address, city, and contact office, the institution location legal name, address, and city, and the subject's last name, address, and city.

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space bar entries from being accepted as valid responses in critical data fields by the *BSA E-Filing System*. We were unable to verify FinCEN's corrective action regarding this issue since we could not access the *BSA E-Filing System*. We did, however, note that FinCEN's *BSA E-Filing User Test System* continued to accept blank space entries as valid responses as of our January 2017 update.

## Recommendations

We recommend that the Director of FinCEN:

4. Implement controls to ensure that BSARs where a valid response is not provided in the prior document number field are systemically identified as errors by FinCEN and filers are notified of this condition.

### Management Comments:

FinCEN management concurred with the recommendation. As part of its current SAR data quality assessment process, FinCEN's Data Quality & Metrics Section quarterly report identifies all institutions where errors appear to be systemic. A formal data quality assessment is conducted to verify that it is systemic and to search for other errors in the BSARs. When systemic errors are verified, a formal assessment document is prepared and sent to FinCEN's Liaison Division, which then conducts outreach to the financial institution to have the errors corrected. FinCEN later conducts follow-up assessments to verify that the cited errors have been corrected. According to FinCEN management this process has greatly reduced missing data. In addition, FinCEN will continue to use its data management process to regularly review and prioritize form field edit and validation requirements when forms are updated or changed.

### OIG Comment:

FinCEN's actions meet the intent of our recommendation.

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5. Implement controls to identify and track BSAR filings with primary errors and determine if filers comply with FinCEN policy requiring correction and resubmission. FinCEN should take action, where appropriate, against filers that fail to comply with FinCEN's resubmission policy.

Management Comments:

FinCEN management concurred with the recommendation. As part of its current SAR data quality assessment process, FinCEN's Data Quality & Metrics Section quarterly report identifies all institutions where errors appear to be systemic. A formal data quality assessment is conducted to verify that it is systemic and to search for other errors in the BSARs. When systemic errors are verified, a formal assessment document is prepared and sent to FinCEN's Liaison Division, which then conducts outreach to the financial institution to have the errors corrected. FinCEN later conducts follow-up assessments to verify that the cited errors have been corrected. According to FinCEN management this process has greatly reduced missing data. In addition, FinCEN will continue to use its data management process to regularly review and prioritize form field edit and validation requirements when forms are updated or changed.

OIG Comment:

FinCEN's actions meet the intent of our recommendation. During our exit meeting, FinCEN's Intelligence Research Specialist explained that the filers with systemic filing issues are dealt with through FinCEN's data quality studies. He stated that for filers with systemic problems, including primary errors, he contacts the filers to reaffirm the need for them to refile. During our exit meeting, FinCEN officials told us that developing a system control to identify and track BSAR filings with primary errors and determine if filers comply with FinCEN policy requiring correction and resubmission would require weighing the costs of establishing such a system against the actual

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benefits of capturing even the most minor errors, given that FinCEN finds its existing protocols sufficient.

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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. Major contributors to this report are listed in appendix 4. A distribution list for this report is included as appendix 5.

/s/  
Sharon Torosian  
Director, Manufacturing and Revenue



The objective of this audit was to determine if the Financial Crimes Enforcement Network's (FinCEN) implementation, in March 2012, of the universal suspicious activity report (BSAR) and FinCEN's April 2013 mandate that all of these reports be filed electronically has helped the quality of the suspicious activity report data provided by filers.

To accomplish our objective, we interviewed FinCEN officials and reviewed FinCEN policies, procedures, filing requirements, and other guidance to gain an understanding of processes and procedures used to receive, process, and disseminate BSAR information to users, and to evaluate the quality of the filer provided data. To determine if BSAR data was meeting the needs of stakeholders, we interviewed representatives from the Internal Revenue Service-Criminal Investigation Division, United States Secret Service, United States Immigration and Customs Enforcement, and the Federal Bureau of Investigation. We also interviewed representatives from the Office of the Comptroller of the Currency regarding the quality of BSAR data.

To assess the quality of BSAR data provided by filers, we obtained information on more than 1.75 million BSARs, received at FinCEN from May 1, 2013 through April 30, 2014, submitted in batch files and through FinCEN's *Bank Secrecy Act (BSA) E-Filing System*, and stored on FinCEN's system of record (SOR) for BSA data. This information included all BSAR data fields included in filer submissions, in the same format that FinCEN distributed to law enforcement agencies that use bulk BSAR data generated from FinCEN's SOR.<sup>24</sup>

For the BSARs included in our population, we examined filer responses included in 39 of 42 data fields deemed critical by FinCEN that required a filer response in FinCEN's on-line *BSA E-*

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<sup>24</sup> The Federal Bureau of Investigation, Internal Revenue Service-Organized Crime and Drug Enforcement Task Force Fusion Center, United States Immigration and Customs Enforcement, and the United States Secret Service obtain bulk BSAR data from FinCEN. These agencies also have access to BSA data in FinCEN's SOR.

*Filing System.*<sup>25</sup> The 39 data fields were associated with the financial institution, the subject(s) associated with the suspicious activity, the nature of the suspicious activity, and the filer's narrative description of the activity. We examined the content of the critical data fields to identify the number of omissions and to assess the quality of the responses provided by filers.

In assessing omissions in filer responses, we evaluated the purpose of each data field along with any associated fields used to indicate that the information for the field in question was unknown or unavailable to the filer. We also assessed filer responses included in certain fields of required sub-records to determine if optional sub-records should have been provided by the filer. We considered all fields in the optional sub-records to be unjustified omissions when the filer should have included one or more optional sub-records in the submissions, based on responses to other key data fields in required records. We did not assess non-responses in the subject TIN data field because the values in the associated "*Subject TIN Unknown*" data field included in the extract files provided by FinCEN was not reliable.<sup>26</sup> As a result, we could not determine when non-responses in the subject TIN data field were justified.

In assessing the quality of the 39 critical data fields, we applied standards for appropriate responses included in FinCEN's BSAR filing instructions and other FinCEN publications. For example, in assessing the quality of BSAR narratives, we used FinCEN's standard that an acceptable BSAR narrative should be 50 or more characters.<sup>27</sup> For responses included in the institutional and subject TIN fields, we assessed the values in the responses that were provided to information on TIN numbering sequences found in Social Security Administration and Internal Revenue Service

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<sup>25</sup> We did not evaluate filer responses in three data fields for Taxpayer Identification Number (TIN) type values for the reporting financial institution, institution location where the suspicious activity occurred, and each subject, because we were unable to validate if the proper TIN type values were entered.

<sup>26</sup> FinCEN's process used to generate the extract files used for our audit, in many cases, incorrectly populated the Subject TIN Unknown field with a blank indicating that the Subject TIN was known. FinCEN's system of record, however, correctly displayed the filer response for this field certifying that the Subject TIN was unknown.

<sup>27</sup> *Financial Crimes Enforcement Network Standard Operating Procedures: Suspicious Activity Report and Currency Transaction Report Data Quality Studies* (July 2014).

guidelines. Other criteria used for assessing the quality of data included external data sources as well as state, country, and zip code tables identified on FinCEN's web site for the validation of values in the individual fields and logical combinations of the responses in these combined fields. For the review of telephone numbers, we assessed the area codes reported for U.S. locations against data from the North American Numbering Plan.<sup>28</sup>

We performed our fieldwork from May 2014 to January 2016 with subsequent follow up through January 2017.

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.

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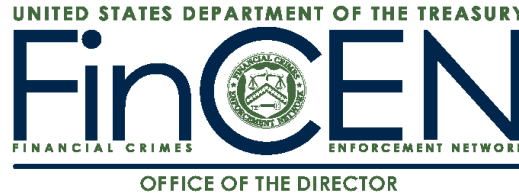
<sup>28</sup> The North American Numbering Plan is an integrated telephone numbering plan serving 20 countries and territories primarily in North America and the Caribbean.

Appendix 2  
 Summary Statistics on Review of Critical Data Fields in BSARS Received at  
 FinCEN: May 2013 through April 2014

<b>Field Description</b>	<b>BSARs With Invalid Responses</b>	<b>Percent Of BSARs With Invalid Responses<sup>1</sup></b>	<b>Percent Batch</b>	<b>Percent Discrete</b>
Financial Institution Branch-Country	173,422	9.90%	99.92%	0.08%
Type of Suspicious Activity	135,152	7.72%	81.35%	18.65%
Prior Document Number	118,818	6.79%	84.35%	15.65%
Subject-State	60,495	3.45%	89.50%	10.50%
Subject-City	56,033	3.20%	98.12%	1.88%
Subject-Country	55,083	3.15%	98.00%	2.00%
Subject-Zip Code	52,026	2.97%	96.38%	3.62%
Subject-Address	50,355	2.88%	99.20%	0.80%
Financial Institution Location-Institution Type	35,176	2.01%	67.77%	32.23%
Subject-Financial Institution Account Number	35,092	2.00%	97.30%	2.70%
Subject-Financial Institution Taxpayer Identification Number	33,265	1.90%	99.94%	0.06%
Subject-Identification Type	28,763	1.64%	95.68%	4.32%
Financial Institution-Name	22,585	1.29%	93.26%	6.74%
Suspicious Activity Amount Involved	21,012	1.20%	66.41%	33.59%
Subject Taxpayer Identification Number	19,865	1.13%	79.94%	20.06%
Financial Institution-Address	17,053	0.97%	66.96%	33.04%
Financial Institution-Contact Office	15,678	0.90%	36.22%	63.78%
Subject Identification-Issuing Country	14,343	0.82%	97.79%	2.21%
Financial Institution-Institution Type	13,930	0.80%	11.84%	88.16%
Subject-Date of Birth	10,934	0.62%	80.09%	19.91%
Financial Institution Location-Address	8,225	0.47%	74.55%	25.45%
Subject-First Name	7,367	0.42%	81.92%	18.08%
Financial Institution Location-Taxpayer Identification	6,594	0.38%	69.78%	30.22%
Subject-Last Name	5,797	0.33%	74.50%	25.50%
Financial Institution Location-Legal Name	5,246	0.30%	67.40%	32.60%
Financial Institution Location-Regulator	4,957	0.28%	89.37%	10.63%
Financial Institution-Contact Office Phone Number	3,528	0.20%	60.57%	39.43%
Financial Institution-Regulator	3,426	0.20%	83.80%	16.20%
Suspicious Activity Narrative	2,754	0.16%	16.92%	83.08%
Financial Institution-Taxpayer Identification Number	2,415	0.14%	50.93%	49.07%
Financial Institution Location-City	1,412	0.08%	76.20%	23.80%
Financial Institution Location-Country	1,070	0.06%	86.54%	13.46%
Financial Institution Location-Zip Code	994	0.06%	46.18%	53.82%
Type of Filing (Corrected, Amended, Continuation)	653	0.04%	84.07%	15.93%
Financial Institution-State	400	0.02%	98.75%	1.25%
Financial Institution-City	362	0.02%	35.08%	64.92%
Financial Institution-Zip Code	354	0.02%	41.24%	58.76%
Suspicious Activity Start Date	244	0.01%	55.74%	44.26%
Financial Institution-Country	242	0.01%	53.72%	46.28%

Source: OIG analysis of BSAR data.

Note 1: The number of BSARs identified with errors or omissions in each critical data field divided by the population of 1,751,166 BSARs evaluated.



**MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL HARKER**

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

**SUBJECT:** *Management Response to the Draft Report – The Universal Suspicious Activity Report and Electronic Filing Have Helped Data Quality But Challenges Remain*

Thank you for the opportunity to review the draft report on the Financial Crimes Enforcement Network's (FinCEN) Universal/Bank Secrecy Act (BSA) Suspicious Activity Report (BSAR) and electronic filing audit. FinCEN is committed to making information received from BSARs useful to law enforcement and others who use the data as a means to fight against financial crimes. We appreciate that you have recognized the data quality improvements we have made with the implementation of the BSAR and mandatory electronic filing.

FinCEN also is committed to ensuring that information received is not only relevant but also reliable and useful. While we recognize the Office of the Inspector General's (IG) report highlights data quality issues which could be further perfected, we must and will continue to balance this goal against our getting the most valuable data to law enforcement as quickly as possible.

FinCEN believes that there is a fundamental need for our organization to accept critical BSA information from filers when they have information to submit. This priority outweighs the need for data perfection, and as a result we choose not to reject entire batches of BSARs when a few individual filings within a batch potentially could have missing or unexpected information. We believe that providing the valuable information that was filed, in particular SAR Narrative data, as quickly as possible is paramount. All information received from BSARs is used primarily to establish leads for investigations and not meant to provide evidentiary proof in any case. Therefore, we will continue to use education and outreach as a means to help filers become more diligent in submitting requested information. In addition, we will continue to use our data management process to regularly review and prioritize form field edit and validation requirement when forms are updated or changed. We believe that this is a better approach than establishing inflexible rules rejecting entire batches of data which may contain a small number of forms with incomplete data fields or blank spaces. A hardline approach could cause delays in filer submissions of critical data or convince filers not to submit a BSAR at all, actions FinCEN wants to avoid.

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

Appendix 3  
Management Response

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As the OIG has also noted in its report, FinCEN has implemented a SAR data quality review program that identifies significant systemic BSAR errors made by individual financial institutions and reports them to the institutions via direct contact with the institutions' BSA compliance activities. We believe this program, along with the file validation processes we have implemented, currently strike the proper balance of data quality with data urgency and usefulness.

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

**FinCEN Corrective Actions**

**Recommendation 1:** Address areas for which additional filer education is needed for specific instances or systemic errors identified with specific filers or the filer community to reduce invalid and non-responses, including guidance on the mechanics for proper reporting of data fields for which the values requested are unknown.

Management Response: Concur. FinCEN follows a data quality Standard Operating Procedure (SOP) and provides appropriate outreach and engagement with filers who have demonstrated systemic errors.

Status: Closed

**Recommendation 2:** Implement controls in FinCEN's validation edits that systemically identify batch filed BSARs that do not include a subject address or institution branch sub-record when these records are expected.

**Recommendation 3:** Develop a methodology to systemically identify inconsistent and incomplete filer responses in critical data fields for all filings, and identify filers with systemic issues and notify them as deemed appropriate.

**Recommendation 4:** Implement controls to ensure that BSARs where a valid response is not provided in the prior document number field are systemically identified as errors by FinCEN and filers are notified of this condition.

**Recommendation 5:** Implement controls to identify and track BSAR filings with primary errors and determine if filers comply with FinCEN policy requiring correction and resubmission. FinCEN should take action, where appropriate, against filers that fail to comply with FinCEN's resubmission policy.

Management Response: Concur: FinCEN assesses data quality through our SOP process and reaches out to filers appropriately. Within this process, FinCEN continuously reviews and prioritizes data validations as well as form instructions through data management. Putting validation as a first priority requires rejecting batches which may contain highly valuable data with only a few errors or omissions, and FinCEN does not want to do this. As such, FinCEN has implemented controls since the inception of this audit to systematically review data quality. As part of its current SAR Data Quality Assessment process, FinCEN's Data Quality & Metrics Section quarterly report identifies all institutions that filed BSARs with a missing subject address or institution branch address. When this quarterly SAR error report identifies institutions where such errors appear to be systemic, a formal Data Quality Assessment is conducted to verify that it is systemic and to search for other errors in the BSARs. When systemic errors are verified, a formal assessment document is prepared and sent to FinCEN's Liaison Division, which then

Appendix 3  
Management Response

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conducts outreach to the financial institution to have the errors corrected. FinCEN later conducts follow-up assessments to verify that the cited errors have been corrected. This process has greatly reduced missing data.

Status: Closed.



Appendix 4  
Major Contributors to This Report

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OIG Budget Examiner

**U.S. Senate**

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

Chairman and Ranking Member  
Committee on Finance

**U.S. House of Representatives**

Chairman and Ranking Member  
Committee on Financial Services

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