



# Audit Report



OIG-11-049

Audit of the Financial Crimes Enforcement Network's  
Fiscal Years 2010 and 2009 Financial Statements

December 15, 2010

Office of  
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

December 15, 2010

**MEMORANDUM FOR JAMES H. FREIS, JR., DIRECTOR  
FINANCIAL CRIMES ENFORCEMENT NETWORK**

**FROM:** Michael Fitzgerald  
Director, Financial Audits

**SUBJECT:** Audit of the Financial Crimes Enforcement Network's  
Fiscal Years 2010 and 2009 Financial Statements

I am pleased to transmit the attached audited Financial Crimes Enforcement Network's (FinCEN) financial statements for fiscal years 2010 and 2009. Under a contract monitored by the Office of Inspector General, GKA, P.C. (GKA), an independent certified public accounting firm, performed an audit of the financial statements of FinCEN as of September 30, 2010 and for the year then ended. The FinCEN's financial statements for FY 2009 were audited by KPMG LLP, another independent certified public accounting firm, whose report dated December 15, 2009, expressed an unqualified opinion. Both contracts required that the audits be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended; and the *GAO/PCIE Financial Audit Manual*.

The following reports, prepared by GKA, are incorporated in the attachment:

- Independent Auditor's Report on Financial Statements;
- Independent Auditor's Report on Internal Control Over Financial Reporting;  
and
- Independent Auditor's Report on Compliance with Laws and Regulations.

In its audit, GKA reported:

- that the financial statements were fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America,
- no matters involving internal control and its operations that are considered material weaknesses, and
- no instances of reportable noncompliance with laws and regulations tested.

In connection with the contract, we reviewed GKA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. GKA is responsible for the attached auditor's reports dated October 29, 2010 and the conclusions expressed in the reports. However, our review disclosed no instances where GKA did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Ade Bankole, Manager, Financial Audits at (202) 927-5329.

Attachment



Certified Public Accountants | Management Consultants

**Financial Crimes Enforcement Network  
AUDIT REPORT  
Fiscal Year 2010**

**DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.**

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**United States Department of the Treasury**  
**Financial Crimes Enforcement Network**

Management Discussion and Analysis  
September 30, 2010

The Financial Crimes Enforcement Network (FinCEN), a Treasury Department bureau reporting to the Under Secretary of the Office of Terrorism and Financial Intelligence, plays a key role in supporting the Department's strategic goal to prevent terrorism and promote the nation's security through strengthened international financial systems. This role includes ensuring safer and more transparent U.S. and international financial systems through the administration of the Bank Secrecy Act (BSA).

The BSA requires financial institutions to file reports and maintain records on certain types of financial activity and to establish appropriate internal controls to guard against financial fraud, money laundering, terrorist financing, and other types of illicit finance. These reports and records have a high degree of usefulness in criminal, tax, and regulatory matters. Documents filed by businesses pursuant to the BSA requirements are heavily used by law enforcement agencies, both domestically and through exchanges with international counterparts, to identify, detect and deter financial fraud and money laundering, whether it is in furtherance of a criminal enterprise, terrorism, tax evasion or other unlawful activity. Acts of fraud and acts of money laundering are interconnected: the financial gain of the fraudulent activity ultimately needs to be integrated into the financial system. Money laundering is often a malignant and pernicious product of fraud.

FinCEN serves as the nation's financial intelligence unit (FIU) and is a leading member of the Egmont Group, an informal group of FIUs from 120 jurisdictions across the world. An FIU serves as a national center to collect, analyze, disseminate, and exchange information pursuant to a country's anti-money laundering/counter-terrorist financing (AML/CFT) legislation and regulations. This includes information about suspicious or unusual financial activity reported by the financial sector. FIUs have specific authority to share lead information with their foreign counterparts to combat cross-border financial crime.

FinCEN's activities and efforts are developed in coordination with federal, state, and international partners. These bureau efforts are linked to the following strategic goals:

- Financial systems resistant to abuse by money launders, terrorists, and their financial supporters, and other perpetrators of financial crime;
- Detection and deterrence of money laundering, terrorism financing, and other illicit activity; and
- Efficient management, safeguarding, and use of BSA information.

## **FY 2010 Accomplishments**

In the regulatory area, FinCEN's policy efforts focus on efficient and effective BSA administration. This includes improving the consistency in the application of BSA regulations to regulated financial institutions, providing guidance regarding regulatory expectations, conducting studies to provide feedback to stakeholders, and initiating enforcement actions when appropriate.

In FY 2010, FinCEN:

- Enhanced collaboration with law enforcement to identify sources of lead information and was in the process of developing analysis criteria to more effectively leverage BSA data to identify potential non-compliant institutions. This strategy should enable FinCEN to become even more proactive in identifying and taking action against non-compliant institutions, including targeted examination referrals and enforcement measures as warranted. In addition, we continue to work closely with the Department of Justice to coordinate investigations in order to proceed concurrently on both civil and criminal actions, where appropriate;
- Continued to participate in the U.S. Government's coordinated attack on mortgage fraud by updating analyses of Suspicious Activity Reports (SARs) to highlight current trends in mortgage loan fraud, and in loan modification and foreclosure rescue scams. Specifically, FinCEN prepared two reports showing that mortgage loan fraud SAR filings continued to increase through 2009, and that mortgage loan purchasers and providers of credit enhancements have taken an increasing role in detecting potential fraud or misrepresentations. FinCEN also issued a report analyzing the impact of FinCEN's 2009 Advisory on loan modification/foreclosure rescue scams, showing that after the Advisory was issued, sampled SAR filings reporting such activity in every covered industry more than doubled over the entire preceding five-year period. FinCEN issued additional advisories to highlight updated loan modification scam techniques and reverse mortgage fraud schemes potentially related to the Federal Housing Administration (FHA) Home Equity Conversion Mortgage program; and
- Finalized or advanced several significant rulemakings to further strengthen the financial system's resistance to financial crimes. FinCEN issued a final rule enhancing domestic and international information sharing to thwart money laundering and terrorist finance by providing access to FinCEN's successful 314(a) program to foreign law enforcement agencies from jurisdictions that provide, either by treaty or FinCEN's determination, reciprocal access to certain account and transaction information, and to U.S. state and local law enforcement agencies. FinCEN also issued Notices of Proposed Rulemaking that would establish a more comprehensive BSA regulatory framework to providers and sellers of prepaid access; require banks and money services businesses to report certain cross-border electronic transmittals of funds to FinCEN; and clarify foreign bank account reporting requirements.

FinCEN's efforts in the analytical area focus on developing products and services to enhance law enforcement's detection and deterrence of domestic and international financial fraud, money laundering, terrorism financing, and other illicit activity. FinCEN intends to improve its expert

analysis of BSA data to provide early warning of emerging trends of fraud and other criminal abuse. Activity in the analytical area includes information exchange with counterpart FIUs in the Egmont Group.

In FY 2010, FinCEN:

- Leveraged the relationships and techniques developed in the mortgage fraud context to initiate similar efforts in the areas of health care fraud and securities fraud through its involvement in the Financial Fraud Enforcement Task Force. FinCEN also undertook efforts to expand information sharing across the U.S. Government in a coordinated manner, worked to enhance understanding of the value and utilization of BSA data for investigative purposes, and supported task force summit tour events with analytical targeting packages/demonstrations, through participation in Committees and other working groups of the Financial Fraud Enforcement Task Force, including acting, along with the Executive Office for the U.S. Attorneys, as co-chair of the Task Force's Training and Information Sharing Committee;
- Completed a joint study with the Mexican FIU of currency flows between the U.S and Mexico. The study provides a more accurate baseline of U.S. dollar currency activity in Mexico from which the U.S. and Mexico can more effectively measure the scope of bulk cash smuggling into Mexico and the effectiveness of future AML and cash interdiction efforts. The study also developed suspected Mexican money laundering targets and referred them to U.S. and Mexican law enforcement. FinCEN continues to coordinate investigative follow-up of these targets with U.S. law enforcement and develop plans for future targeting efforts. Completion of the study has positioned FinCEN well to respond to new Mexican regulations related to U.S. dollar transactions;
- Created and disseminated tactical financial intelligence reports to Egmont Group FIUs and managed case exchange with FIUs on behalf of U.S. law enforcement and regulatory agencies. These intelligence products are integral to domestic and foreign investigations of money laundering, financial fraud, and terrorist financing around the world; and
- Worked closely with the developing FIU in Afghanistan, FinTRACA. As a result of FinCEN's efforts within the Egmont Group, FinTRACA was admitted to the Egmont Group in June 2010. Egmont Group membership is expected to lead to a considerably greater flow of financial intelligence between FinTRACA and other FIUs, including FinCEN. FinCEN also deployed a staff member to Afghanistan to foster tactical information sharing between the FIU and U.S. law enforcement.

FinCEN's efforts related to the efficient management, safeguarding, and use of BSA information focus on maximizing utilization by improving the overall information infrastructure and enhancing information technology management capabilities. In the past year both currency transaction reports and SAR filings decreased for the first time ever, reflecting efforts to focus on data most needed, while data quality continues to increase. Improving data quality and access remains a priority for FinCEN.

In FY 2010, FinCEN:

- Introduced additional field and business rule validations to batch data at E-Filing submission to improve data quality and provide faster error notification for SARs. Filers



received an e-mail if their submitted file has errors and they are directed to a designated error page to view batch validation error details;

- Completed all of the project-level documentation defined in FinCEN’s System Development Life Cycle for the BSA Information Technology (IT) Modernization initiative. This documentation provides the necessary business requirements and architectural foundational elements to enable FinCEN to proceed to the Design phase of the Program; and
- Implemented the E-Filing Work-In-Process (WIP) database to provide additional data validations and provide feedback to financial institutions.

### Highlights of Performance Measures

<b>Performance Measures</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Target</b>	<b>FY 2010 Actual</b>
Percentage of federal and state regulatory agencies with memoranda of understanding/information sharing agreements	43%	46%	46%
Percentage of FinCEN’s Regulatory Resource Center customers rating the guidance received as understandable	94%	90%	92%
Average time to process enforcement matters (years)	1.0	1.0	0.8
Percentage of FinCEN’s compliance MOU holders finding FinCEN’s information exchange valuable to improve the BSA consistency and compliance of the financial system	82%	68%	86%
Percentage of customers finding FinCEN’s analytic support highly valuable	81%	81%	80%
Percentage of customers satisfied with BSA E-Filing	94%	90%	96%

In the regulatory area, FinCEN continues to increase activities to monitor financial institutions examined for BSA compliance by state and federal regulators through the establishment of MOUs to exchange compliance information. In FY 2010, FinCEN met its target of 46 percent of federal and state regulatory agencies with MOU/information sharing agreements. FinCEN achieved its target by finalizing four additional MOUs with state regulatory agencies. FinCEN will continue collaborating with state insurance agencies and other regulatory agencies to sign additional agreements to meet future targets.

FinCEN surveys its compliance MOU holders to determine the impact of the information exchange to improve the BSA consistency and compliance of the financial system. In FY 2010, FinCEN surpassed its target of 68 percent rating the information exchange valuable with 86 percent. FinCEN attributes a portion of this success to the distribution of analytic information to the MOU holders throughout the fiscal year. To achieve future targets, FinCEN will continue to facilitate routine discussions with the MOU holders.

FinCEN’s goal to provide financial institutions with understandable guidance through the BSA Resource Center is critical to institutions establishing AML programs that comply with the BSA. The FY 2010 goal was to maintain a 90 percent satisfaction level for customers rating the

guidance as “understandable,” and FinCEN surpassed its goal with 92 percent. FinCEN attained this success by responding timely (within 24 hours of the inquiry), and providing a high level of service. In order to achieve future targets, FinCEN will continue to make guidance available on the Internet, accept and analyze customer feedback, and conduct surveys to measure customer satisfaction.

FinCEN also works closely with its regulatory partners to take enforcement action against financial institutions that systemically and egregiously violate the provisions of the BSA, including through imposition of civil money penalties when appropriate. Timely enforcement action is essential to deter non-compliance with the BSA. In FY 2010, FinCEN met its target for the average time to process enforcement matters in one year with an average time of 0.8 year. FinCEN will continue to actively manage casework to meet future targets.

In the analytical area, FinCEN supports domestic law enforcement and international FIU partners by providing analyses of BSA information, and measures the percentage of customers finding FinCEN’s analytic reports highly valuable. The measure closely ties to how BSA information is used by law enforcement and international FIUs to identify, investigate, and prevent abuse of the financial system. In FY 2010, 80 percent of the respondents rated the analytic products as highly valuable. FinCEN narrowly missed its target of 81 percent. FinCEN attributes this to a need to enhance communication with and understanding of law enforcement partners’ needs. FinCEN has developed a strategy to increase communication with law enforcement partners and will continue efforts to ensure its products and services meet those needs.

In the efficient management, safeguarding, and use of BSA information, FinCEN conducts a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. The FY 2010 target was to maintain at least a 90 percent satisfaction level, and FinCEN exceeded its target with 96 percent. FinCEN attributes this to continued outreach, the implementation of a more industry-friendly forms submission software (Adobe), and the receipt/acknowledgements and data validations specific to SARs now available to the filing community. FinCEN will continue outreach to E-Filers and ensure the technology supports to the demand to achieve future targets.

## **Future Outlook for FY 2011/FY 2012**

FinCEN’s future plans in the regulatory area will improve its ability to strengthen financial system security and enhance U.S. national security. To ensure financial systems are resistant to abuse by money launderers, terrorists and other perpetrators of financial fraud and crimes, FinCEN will:

- Finalize regulations applying AML program and SAR requirements for non-bank residential mortgage lenders and originators to prevent criminal actors from abusing the housing markets, and consider next steps with regard to bringing other participants in the loan and finance industry under the BSA;

- Finalize proposed amendments to clarify the scope of the money services business (MSB) definitions to the extent consistent with appropriately managing money laundering risks in this industry;
- Finalize proposed regulations to bring providers and certain sellers of prepaid access into more comprehensive BSA requirements, including AML program, suspicious activity reporting, registration, and customer identification requirements;
- Continue to conduct analysis in support of regulatory initiatives (such as identity theft) and further efforts to combat mortgage loan fraud, building off prior analysis efforts to identify emerging trends (such as commercial real estate fraud), and continue to consider advisories to financial institutions highlighting emerging risks or other appropriate regulatory options; and
- Continue to enhance proactive compliance and enforcement efforts by implementing further steps based on risks informed by analysis and law enforcement, including targeted steps to increase money transmitter registration. FinCEN will also continue to strengthen oversight of recently-covered industries under the BSA, by signing additional information sharing agreements with state insurance regulators and working cooperatively with the Internal Revenue Service and state regulators on consistent, risk-based examination procedures.

FinCEN's future plans in the analytical area will improve its ability to strengthen financial system security and enhance U.S. national security. To detect and deter financial fraud, money laundering, terrorism financing, and other illicit activity, FinCEN will:

- Continue to work with law enforcement, financial institutions, and international partners to combat Mexican cartel-related drug, gun and human smuggling operations in Mexico and along the Southwest Border by increasing and improving the sharing and analysis of related financial information;
- Continue to work with the Southwest Border Anti-Money Laundering Alliance and other federal or state efforts to interdict and investigate illicit money laundering on the Southwest Border through the detection of trends, patterns and significant criminal activity in wire remittance data. Under a state agreement FinCEN will receive an estimated 100 million records associated with wire transfers to and from the Mexican border area from 2005 to 2013;
- Support federal law enforcement efforts to combat health care fraud by initiating an advanced targeting process to identify potential health care fraud perpetrators and to provide analytical support to investigations and prosecutions;
- Improve analytical products and responsiveness to foreign government counterparts. FinCEN intends to dramatically increase the number of proactive intelligence reports sent to foreign counterpart FIUs. Foreign FIUs, in cooperation with foreign law enforcement agencies, would use these reports to develop new cases or enhance existing ones;
- Increase joint analytical projects with foreign FIU counterparts through intensified operational engagements with key strategic partner FIUs. For example, FinCEN plans to replicate with other foreign FIUs a current analytical initiative involving FinCEN, the Mexican FIU, and the Internal Revenue Service's Criminal Investigation Division (IRS-CI); and

- Deepen cooperation with the Mexican FIU through the placement of a FinCEN staff member to work directly with the FIU. The staff member will facilitate joint analytical projects between the two FIUs and work to enhance the tactical information exchange process among the FIUs and U.S. law enforcement agencies.

FinCEN's future plans will improve its ability to strengthen financial system security and enhance U.S. national security. To ensure efficient management, safeguarding and use of BSA information, FinCEN will:

- Continue to modernize BSA information management and analysis to equip law enforcement and financial industry regulators with better decision-making abilities, increase the value of BSA information through increased data integrity and analytical tools, and move Treasury to the ultimate goal of being a "paperless" agency;
- Deploy the new advanced analytical tool on the current technical environment;
- Establish the production and disaster recovery infrastructure;
- Deploy the Registered User Portal, which will provide a common user interface and authentication process for accessing BSA data;
- Begin the development efforts to build the BSA new system of record and basic query capabilities; and,
- Implement ability to discretely enter those select forms that are only currently accepted via paper filing.

## **FY 2010 Financial Statement Highlights**

Highlights of FinCEN's FY 2010 financial performance appear below. FinCEN is financed annually through appropriations authorized by Congress. The FY 2010 enacted budget is \$111 million.

**Balance Sheets:** *Assets:* The total assets as of September 30, 2010 and 2009 were \$63.5 and \$44.5 million, respectively, of which approximately 74.3 percent consists of fund balance with Treasury in 2010 and 78.9 percent in 2009. Total assets increased by \$19.0 million. This increase primarily resulted from \$12.1 million increase in the fund balance with Treasury, a \$3.0 million increase in accounts receivable, as well as a \$4.2 million increase in property and equipment. This was offset by a \$0.3 million decrease in advances and prepayments. *Liabilities:* The total liabilities as of September 30, 2010 and 2009 were \$13.9 and \$10.9 million, respectively. There was a \$3.0 million increase in the total liabilities in FY 2010 over FY 2009. The increase was a result of the Information Technology Project referred to as BSA IT Modernization in accounts payable.

**Statement of Net Costs:** The net cost of operations as of September 30, 2010 and 2009 was \$124.7 million and \$119.6 million, respectively. This was an increase of \$5.1 million, or 4.3 percent. All of FinCEN's costs are reported under the Department of the Treasury's Strategic Goal 3: Prevented Terrorism and Promoted the Nation's Security through Strengthened International Financial Systems. FinCEN's net cost aligned to its own Strategic Goals is disclosed on the face of the statement of net cost. A significant portion of FinCEN's net costs (\$58.4 million or 46.8 percent) relates to FinCEN's Strategic Goal 3: Efficient Management, Safeguarding and Use of BSA Information.

## **Internal Controls, Systems, and Audits**

Financial management systems are in substantial compliance with federal financial systems standards, the Federal Manager's Financial Integrity Act (FMFIA) Section 4, and the Federal Financial Management Improvement Act (FFMIA). FinCEN relies on the Bureau of Public Debt (BPD) Administrative Resource Center (ARC) for administrative and accounting services and systems.

Two audits were completed in FY 2010 by the Government Accountability Office (GAO) and one audit by the Treasury Office of the Inspector General (OIG). The first GAO audit examined the extent to which the law enforcement community finds FinCEN's support useful in its efforts to investigate and prosecute financial crimes. GAO recommended changes to improve communication and enhance the support FinCEN provides to law enforcement. The second GAO audit examined FinCEN's regulatory efforts related to AML requirements for prepaid access products and recommended that the bureau update its timeline to better manage the rulemaking process. The OIG audit reviewed the data quality of suspicious activity reporting and recommended that FinCEN continue several ongoing efforts to further improve data quality.

## **Improper Payment Information Act (IPIA) Reporting**

The Improper Payments Information Act of 2002 (IPIA) requires agencies to review their programs and activities to identify those that are susceptible to significant erroneous payments. "Significant" means that an estimated error rate and a dollar amount exceed the threshold of 2.5 percent and \$10 million of total program funding.

As a bureau of the Department of the Treasury, FinCEN follows the methodology and guidance prescribed by the Department. Each year, a comprehensive inventory of the funding sources for all programs and activities is developed. If program or activity funding is at least \$10 million, risk assessments are required at the payment type level (e.g., payroll, contracts, vendors, travel, etc.). For those payment types resulting in high risk assessments that comprise at least 2.5 percent and \$10 million of a total funding source, (1) statistical sampling must be performed to determine the actual improper payment rate, and (2) a corrective action plan to reduce erroneous payments must be developed and submitted to the Office of Management and Budget (OMB) for approval.

All of FinCEN's programs and activities resulted in low risk susceptibility for improper payments.

## **Limitations of the Financial Statements**

The principal financial statements have been prepared to report the financial position and results of operations of FinCEN. While the statements have been prepared from the books and records of FinCEN in accordance with GAAP for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Balance Sheets**

	As of September 30	
	2010	2009
<b>ASSETS (Note 2)</b>		
<b>Intragovernmental:</b>		
Fund balance with Treasury (Note 3)	\$47,217,643	\$35,130,998
Accounts receivable (Note 4)	4,321,943	1,326,724
Advances and prepayments	1,033,977	1,320,109
<b>Total intragovernmental</b>	<b>52,573,563</b>	<b>37,777,831</b>
Accounts receivable, net (Note 4)	1,851	1,270
Property and equipment, net (Note 5)	10,972,052	6,753,289
<b>Total assets</b>	<b>\$63,547,466</b>	<b>\$44,532,390</b>
<b>LIABILITIES (Note 7)</b>		
<b>Intragovernmental:</b>		
Accounts payable	4,736,945	2,204,608
Other (Note 8)	1,890,283	2,169,570
<b>Total intragovernmental</b>	<b>6,627,228</b>	<b>4,374,178</b>
Accounts payable	2,229,247	1,833,138
Other (Note 8)	5,083,917	4,659,507
<b>Total liabilities</b>	<b>13,940,392</b>	<b>10,866,823</b>
Commitments and contingencies (Notes 9 and 10)		
<b>NET POSITION</b>		
Unexpended appropriations	43,181,049	31,558,804
Cumulative results of operations	6,426,025	2,106,763
<b>Total net position</b>	<b>49,607,074</b>	<b>33,665,567</b>
<b>Total liabilities and net position</b>	<b>\$63,547,466</b>	<b>\$44,532,390</b>

*The accompanying notes are an integral part of these financial statements*

**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Statements of Net Cost**

	<b>For the Years Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>PROGRAM COSTS (Note 11)</b>		
<b>Financial systems resistant to abuse by money launders, terrorists, etc.</b>		
Gross costs	\$34,919,697	\$33,055,480
Less: earned revenue	(27,464)	(55,039)
<b>Net program costs</b>	<b>34,892,233</b>	<b>33,000,441</b>
<b>Detection and deterrence of money laundering, terrorism financing and other illicit activity</b>		
Gross costs	31,656,114	27,485,779
Less: earned revenue	(291,533)	(364,014)
<b>Net program costs</b>	<b>31,364,581</b>	<b>27,121,765</b>
<b>Efficient management, safeguarding, and use of BSA Information</b>		
Gross costs	61,460,683	59,826,548
Less: earned revenue	(3,039,429)	(396,590)
<b>Net program costs</b>	<b>58,421,254</b>	<b>59,429,958</b>
<b>Net cost of operations</b>	<b>\$124,678,068</b>	<b>\$119,552,164</b>

*The accompanying notes are an integral part of these financial statements*



**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Statements of Changes in Net Position**

	<b>For the Years Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>Cumulative Results of Operations:</b>		
Beginning balances	\$2,106,763	\$2,776,989
<b>Budgetary financing sources:</b>		
Appropriations used	98,285,880	85,729,313
<b>Other financing sources (non-exchange):</b>		
Transfers in without reimbursement	3,944,045	5,355,153
Imputed financing from costs absorbed by others (Note 6)	26,416,610	27,797,472
Other	350,795	-
<b>Total financing sources</b>	<b>128,997,330</b>	<b>118,881,938</b>
Net cost of operations (Note 11)	(124,678,068)	(119,552,164)
<b>Net change</b>	<b>4,319,262</b>	<b>(670,226)</b>
<b>Cumulative results of operations</b>	<b>\$6,426,025</b>	<b>\$2,106,763</b>
<b>Unexpended appropriations:</b>		
Beginning balance	\$31,558,804	\$25,676,184
<b>Budgetary financing sources:</b>		
Appropriations received	111,010,000	91,465,000
Appropriations transferred in	-	250,000
Other adjustments	(1,101,875)	(103,067)
Appropriations used	(98,285,880)	(85,729,313)
<b>Total budgetary financing sources</b>	<b>11,622,245</b>	<b>5,882,620</b>
<b>Total unexpended appropriations</b>	<b>43,181,049</b>	<b>31,558,804</b>
<b>Net position</b>	<b>\$49,607,074</b>	<b>\$33,665,567</b>

*The accompanying notes are an integral part of these financial statements*

**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Statements of Budgetary Resources**

	<b>For the Years Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>BUDGETARY RESOURCES</b>		
Unobligated balance, brought forward, October 1	\$25,041,311	\$18,459,994
Recoveries of prior year unpaid obligations (Note 12)	1,460,155	1,582,110
Budget authority:		
Appropriations	111,010,000	91,465,000
<b>Spending authority from offsetting collections:</b>		
Earned		
Collected	4,307,253	5,788,303
Change in receivables from Federal sources	2,995,219	339,613
Change in unfilled customer orders		
Without advance from Federal sources	2,887,812	949,515
<b>Subtotal</b>	<b>121,200,284</b>	<b>98,542,431</b>
Non-expenditure transfers, net: anticipated and actual	-	250,000
Permanently not available (Note 12)	(1,101,875)	(103,067)
<b>Total budgetary resources</b>	<b>\$146,599,875</b>	<b>\$118,731,468</b>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
<b>Obligations incurred (Note 12):</b>		
Direct	\$108,317,644	\$86,540,979
Reimbursable	10,244,811	7,149,178
<b>Subtotal</b>	<b>118,562,455</b>	<b>93,690,157</b>
Unobligated balance:		
Apportioned	25,789,557	20,357,952
Unobligated balance not available	2,247,863	4,683,359
<b>Total status of budgetary resources</b>	<b>\$146,599,875</b>	<b>\$118,731,468</b>

*(continued)*

*The accompanying notes are an integral part of these financial statements*

**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Statements of Budgetary Resources**

	<b>For the Years Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated balance, net:		
Unpaid obligations brought forward, October 1	\$14,568,575	\$12,799,924
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(4,478,888)	(3,189,760)
<b>Unpaid obligated balance, net</b>	<b>10,089,687</b>	<b>9,610,164</b>
Obligations incurred, net	118,562,455	93,690,157
Less: Gross outlays	(102,128,733)	(90,339,397)
Less: Recoveries of prior year unpaid obligations, actual	(1,460,155)	(1,582,110)
Change in uncollected customer payments from Federal sources	(5,883,031)	(1,289,128)
<b>Obligated balance, net, end of period:</b>		
Unpaid obligations	29,542,142	14,568,575
Less: Uncollected customer payments from Federal sources	(10,361,919)	(4,478,888)
<b>Total, unpaid obligated balance, net, end of period</b>	<b>\$19,180,223</b>	<b>\$10,089,687</b>
 <b>NET OUTLAYS</b>		
Gross outlays	\$102,128,733	\$90,339,397
Less: Offsetting collections	(4,307,253)	(5,788,303)
Less: Distributed offsetting receipts	-	(16,165)
<b>Net outlays</b>	<b>\$97,821,480</b>	<b>\$84,534,929</b>

*The accompanying notes are an integral part of these financial statements*

**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Statements of Custodial Activity**

	<b>For the Years Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenue activity (Note 13):</b>		
<b>Sources of cash collections:</b>		
Civil monetary penalties	\$1,050,000	\$16,308
<b>Total cash collections</b>	<b>1,050,000</b>	<b>16,308</b>
<b>Total custodial revenue</b>	<b>1,050,000</b>	<b>16,308</b>
<b>Disposition of collections:</b>		
<b>Transferred to others:</b>		
Department of the Treasury	(1,050,000)	(16,308)
<b>Net custodial activity</b>	<b>\$0</b>	<b>\$0</b>

*The accompanying notes are an integral part of these financial statements*

**United States Department of the Treasury**  
**Financial Crimes Enforcement Network**  
**Notes to the Financial Statements**  
**For the Years Ended September 30, 2010 and 2009**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Financial Crimes Enforcement Network (FinCEN) was formally established by the Department of the Treasury (Treasury), Order 105-08, on April 25, 1990 and upgraded to bureau status October 26, 2001 in Public Law 107-56. The mission of FinCEN is to enhance U. S. national security, deter and detect criminal activity, and safeguard the financial systems from abuse by promoting transparency in the U.S. and international financial systems. This is accomplished primarily through the administration of the Bank Secrecy Act (BSA); supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; enhancing international anti-money laundering and counterterrorist financing efforts and cooperation; and networking people, entities, ideas, and information.

**Basis of Accounting and Presentation**

The financial statements have been prepared from FinCEN's accounting records in conformity with accounting principles generally accepted in the United States of America. Accounting principles generally accepted for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the official accounting standards-setting body of the United States Government.

These financial statements are provided to assist the Department of the Treasury meet the requirements of the Government Management Reform Act of 1994. The financial statements consist of the balance sheets and the statements of net costs, changes in net position, budgetary resources and custodial activity. The financial statements and the related notes are presented on a comparative basis.

FinCEN's financial statements with respect to the balance sheets, the statements of net cost, and the statements of changes in net position are reported using the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. FinCEN's statement of budgetary resources is reported using the budgetary basis of accounting. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded, and services received, that will require payments during the same or future periods. FinCEN's non-entity revenues are reported on the statement of custodial activity using a modified accrual basis of accounting. With this method, revenue from cash collections are reported separately from receivable accruals and cash disbursements are reported separately from payable accruals. Intragovernmental assets and liabilities result

from activity with other Federal agencies. All other assets and liabilities result from activity with parties outside the Federal government, such as domestic and foreign persons, organizations, or governments. Intragovernmental earned revenues are collections or accruals of revenue from other Federal agencies, and intragovernmental costs are payments or accruals to other Federal agencies.

While these financial statements have been prepared from the books and records of FinCEN, these financial statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

These financial statements should be read with the realization that they are for a component of a sovereign entity, where liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

### **Fund Balance with Treasury**

FinCEN does not maintain cash in commercial bank accounts. The Treasury processes cash receipts and disbursements. Fund balance with Treasury is composed of appropriated and trust funds that are available to pay current liabilities and finance authorized purchase commitments.

### **Accounts Receivable**

Accounts receivable represent amounts owed to FinCEN by other Federal agencies and the public.

Intragovernmental accounts receivable represent amounts due from other Federal agencies under contractual agreements or other arrangements for services or activities performed by FinCEN. These receivables are expected to be fully collected.

Public accounts receivable consist of administrative receivables from employees or suppliers and the levy of civil monetary penalties from non-Federal sources resulting from FinCEN's regulatory responsibilities. Public accounts receivable are presented net of an allowance for doubtful accounts, which is determined by considering the debtor's current ability to pay, the debtor's payment record and willingness to pay, and an analysis of aged receivable activity.

### **Advances and Prepayments**

Intragovernmental advances and prepayments primarily consist of amounts paid to the Department of the Treasury Working Capital Fund and the Department of Interior National Business Center Franchise Fund Acquisition Services Directorate prior to FinCEN's receipt of goods and services.

### **Property and Equipment**

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. FinCEN capitalizes property and equipment with an acquisition value of \$25,000 or greater, and a useful life of two years or greater. FinCEN also capitalizes bulk acquisitions of like-kind property and equipment items that are individually

valued under the capitalization threshold but are, in the aggregate, significant to FinCEN's financial position or results of operations.

Internal-use software includes purchased commercial off-the-shelf software (COTS), contractor developed software, and software that was internally developed by agency employees. For COTS software, the capitalized costs include the amount paid to the vendor for the software, for contractor developed software it includes the amount paid to a contractor to design, program, install and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development phase.

Major alterations and renovations that increase an asset's useful life are capitalized, while normal maintenance and repair costs are charged to expense as incurred. Upon legal transfer, donation, or approval for disposal of property and equipment, the value of the related asset and corresponding accumulated depreciation is removed.

Leasehold improvements are amortized over the shorter of the term of the remaining portion of the lease, or the useful life of the improvement. Amortization of capitalized software begins on the date the software is placed in production (i.e., successfully installed and tested).

Equipment that is to be constructed is recorded as construction-in-progress until completed and is valued at actual costs. Construction-in-progress assets are not depreciated until completed and placed in service.

### **Liabilities**

Liabilities represent the probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events. Liabilities covered by budgetary resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available, congressionally appropriated funds or other amounts, and there is no certainty that the appropriations will be enacted.

### **Annual, Sick and Other Leave**

Annual leave is accrued as a liability when earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account reflects current pay rates and leave balances, and is reported within other liabilities in the accompanying Balance Sheet. Sick leave and other types of non-vested leave are charged to operating costs as the leave is taken.

### **Workers' Compensation**

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual liability is presented as a component of intragovernmental other liabilities, and the actuarial liability is presented within other liabilities in the accompanying Balance Sheet.

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases and

beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits to employees are administered by the U.S. Department of Labor (DOL) which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. Reimbursement to DOL occurs approximately two years subsequent to the actual disbursement to the claimant. Budgetary resources for this intragovernmental liability are made available to FinCEN as part of its annual appropriation from Congress in the year in which the reimbursement takes place.

Future workers' compensation estimates are generated by DOL from an application of actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability for future workers' compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Based on information provided by the DOL, Treasury allocates the overall Treasury liability to Treasury components based on prior claims payment experience. The accrued liability is not covered by budgetary resources and will require future funding.

#### **Unamortized Rent Abatement**

The terms of the operating lease between FinCEN and the General Services Administration (GSA) for the Vienna, VA facility contains a rent abatement period. FinCEN is recognizing rent expense on a straight-line basis over the lease term. Accordingly, an unamortized rent abatement liability is included in other intragovernmental liabilities in the accompanying Balance Sheet. This liability is being amortized on a straight-line basis over the lease term.

#### **Pension Costs and Other Retirement Benefits**

Most FinCEN employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). As of September 30, 2010 and 2009, FinCEN contributed 7 percent of base pay for regular employees.

Employees hired after December 31, 1983 are automatically covered by the Federal Employee's Retirement System (FERS) and Social Security. As of September 30, 2010 and 2009, FinCEN contributed 11.2 percent of base pay for the FERS basic benefit. A primary feature of FERS is that it offers a savings plan to which FinCEN automatically contributes 1 percent of base pay and matches employee contributions up to an additional 4 percent of base pay. FinCEN also contributes the employer's Social Security matching share for FERS participants.

FinCEN is not responsible for administering either CSRS or FERS. Therefore, FinCEN does not report CSRS or FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to FinCEN employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

Similar to CSRS and FERS, OPM, rather than FinCEN, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLI). FinCEN does not



contribute funds for the cost to provide health benefits and life insurance to its retirees.

The estimated cost of providing CSRS and FERS retirement and FEHBP and FEGLI benefits to retirees is more than the amounts contributed by FinCEN and its employees. Federal entities are required to report the full cost of providing retirement benefits to include the cost financed by OPM. The additional expense representing the difference between the estimated cost and the employer and employee contributions for these programs is included as an expense and as a related imputed financing source in FinCEN's financial statements.

### **Entity Revenues, Financing Sources and Imputed Financing Sources**

FinCEN receives the majority of funding needed to support its programs through Congressional appropriations. Additional funding is obtained through exchange revenues.

Appropriations are recognized as a financing source at the time the expenses are incurred or assets are purchased. Exchange revenue from reimbursable agreements is recognized when earned (i.e., goods have been delivered or services rendered). Reimbursable work between Federal appropriations is subject to the *Economy Act (31 U.S.C. 1535)* or other statutes authorizing reimbursement. Prices for goods and services sold to other Federal agencies are generally limited to the recovery of actual costs. FinCEN recognizes as an imputed financing source the amount of pension and post-retirement benefit expense for current employees paid on behalf of FinCEN by the Office of Personnel Management (OPM), as well as amounts paid from the Department of Treasury Judgment Fund in settlement of claims, legal settlements, or court assessments. When costs that are identifiable to FinCEN and directly attributable to FinCEN's operations are paid for by other agencies, FinCEN recognizes these amounts as imputed costs and financing sources.

Imputed intradepartmental costs represent the un-reimbursed portion of the full costs of goods and services received by FinCEN from a providing bureau that is part of Treasury. FinCEN identifies intra-entity costs that meet the criteria for recognition (i.e. materiality, significance to the entity, directness of the relationship to entity operations, identifiably) that are not fully reimbursed and recognizes them as operating expenses and an imputed financing source.

### **Non-Entity Assets, Revenues and Disbursements**

Non-entity assets are those held by FinCEN that are not available for use by FinCEN. Non-entity accounts receivable reported on FinCEN's Balance Sheet and non-entity revenue reported on FinCEN's Statement of Custodial Activity includes civil monetary penalties. Civil monetary penalties represent amounts assessed on or collected from non-Federal sources for violations of laws and regulations under FinCEN's regulatory responsibility.

Non-entity accounts receivable, custodial revenue and disposition of revenue is recognized when FinCEN is entitled to collect civil monetary penalties on behalf of the Federal government that have been established as a legally enforceable claim and collection is probable. Proceeds from the civil monetary penalty assessments are ultimately deposited in the Treasury General Fund based on established laws and regulations. These funds are not available to fund FinCEN's operating activities and accordingly, an offsetting liability due to the Treasury General Fund is

recorded for amounts recognized as non-entity accounts receivable.

Non-entity accounts receivable are presented net of amounts deemed uncollectible. An allowance for doubtful accounts is established based on an assessment of the debtor's current ability to pay, the debtor's payment record and willingness to pay, and an analysis of aged receivable activity.

**Use of Estimates**

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates relate to an allowance for loss on a receivable for fines and penalties, accrued payroll and benefits, and accrued unfunded leave. Actual results may differ from those estimates.

**NOTE 2. NON-ENTITY ASSETS**

Non-entity assets as of September 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Civil penalties assessed	\$1,500,000	\$1,500,000
Less allowance for doubtful collection	(1,500,000)	(1,500,000)
<b>Total non-entity assets</b>	<b><u>0</u></b>	<b><u>0</u></b>
Total entity assets	<u>63,547,466</u>	<u>44,532,390</u>
<b>Total assets</b>	<b><u>\$63,547,466</u></b>	<b><u>\$44,532,390</u></b>

Non-entity accounts receivable as of September 30, 2010 and 2009 represents civil monetary penalties due from non-Federal sources for violations of laws or regulations under FinCEN's regulatory responsibility.

The total non-entity assets, if any, are offset on the balance sheet by the custodial liability Due to the Treasury General Fund. The amount Due to the Treasury General Fund is included in the intragovernmental other liabilities balance shown in note 8.

### NOTE 3. FUND BALANCE WITH TREASURY

#### *Fund Balances:*

Fund balance with Treasury as of September 30, 2010 and 2009 consisted of the following components:

	<u>2010</u>	<u>2009</u>
Trust funds	\$65,164	\$122,921
Appropriated funds	47,152,479	35,008,077
<b>Total</b>	<b><u>\$47,217,643</u></b>	<b><u>\$35,130,998</u></b>

Trust funds consist of a violent crime reduction expenditure account that is designated by law as a trust fund. Receipts in this account are used for law enforcement related information technology projects.

Appropriated funds consist of amounts appropriated annually by Congress to fund the operations of FinCEN.

#### *Status of Fund Balances:*

The status of fund balance with Treasury as of September 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Unobligated balance:		
Available	\$25,789,557	\$20,357,952
Unavailable	2,247,863	4,683,359
Obligated balance not yet disbursed	19,180,223	10,089,687
<b>Total</b>	<b><u>\$47,217,643</u></b>	<b><u>\$35,130,998</u></b>

The unobligated balance unavailable represents amounts appropriated in prior fiscal years that are not available to fund new obligations, but may be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a bona fide need that arose in the fiscal year for which the appropriation was made.

The obligated balance not yet disbursed represents amounts designated for payment of goods and services ordered but not received, or goods and services received but for which payment has not yet been made.

#### NOTE 4. ACCOUNTS RECEIVABLE, NET

Components of accounts receivable as of September 30, 2010 and 2009, were as follows:

	<u>2010</u>	<u>2009</u>
Intragovernmental:		
Accounts receivable	\$4,321,943	\$1,326,724
Public:		
Accounts receivable	1,851	1,270
Civil penalties assessed	1,500,000	1,500,000
Less allowance for doubtful collection	(1,500,000)	(1,500,000)
Public accounts receivable, net	<u>1,851</u>	<u>1,270</u>
<b>Total accounts receivable, net</b>	<b><u>\$4,323,794</u></b>	<b><u>\$1,327,994</u></b>

Intragovernmental accounts receivable arise generally from the provision of goods and services to other Federal agencies.

Accounts receivable from public sources consist of administrative receivables from employees or suppliers and civil monetary penalties which have been billed or accrued and remain uncollected as of year-end. The collection of civil monetary penalties is a custodial activity performed by FinCEN. An allowance for doubtful accounts of \$1,500,000 has been recognized to offset a civil monetary penalty. The claim has been referred to Department of Justice for possible termination of collection activity.

## NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of September 30, 2010 and 2009 consisted of the following:

	Depreciation Method	Useful Life (In years)	2010		
			Acquisition Cost	Accumulated Depreciation/Amortization	Net Book Value
Furniture, fixtures and equipment	S/L	5-7	\$5,392,572	(\$3,857,232)	\$1,535,340
Construction in progress	N/A	N/A	802,479	-	802,479
Internal-use software	S/L	5	16,395,699	(11,018,396)	5,377,303
Internal-use software in development	N/A	N/A	2,772,370	-	2,772,370
Leasehold improvements	S/L	3-5	1,319,575	(835,015)	484,560
<b>Total</b>			<b>\$26,682,695</b>	<b>(\$15,710,643)</b>	<b>\$10,972,052</b>
2009					
	Depreciation Method	Useful Life (In years)	Acquisition Cost	Accumulated Depreciation/Amortization	Net Book Value
Furniture, fixtures and equipment	S/L	5-7	\$7,485,014	(\$4,970,215)	\$2,514,799
Construction in progress	N/A	N/A	92,483	-	92,483
Internal-use software	S/L	5	13,072,470	(9,831,198)	3,241,272
Internal-use software in development	N/A	N/A	444,501	-	444,501
Leasehold improvements	S/L	3-5	1,269,767	(809,533)	460,234
<b>Total</b>			<b>\$22,364,235</b>	<b>(\$15,610,946)</b>	<b>\$6,753,289</b>

Construction-in-progress represents equipment that has been received but has not yet been constructed and placed into operation.

Internal-use software in development represents actual (direct) costs and other indirect costs incurred for various software development projects not yet placed in service. Depreciation and amortization expense recognized during the year ended September 30, 2010 and 2009 was \$2,291,942 and \$2,420,252, respectively.

## NOTE 6. IMPUTED FINANCING SOURCES

FinCEN has imputed financing costs borne by the Office of Personnel Management for employee related costs as well as with the Internal Revenue Service. Imputed financing costs borne by the Internal Revenue Service relate to the collection and processing of Bank Secrecy Act Data. A summary of the imputed financing costs by agency for the years ended September 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Office of Personnel Management	\$2,959,710	\$2,144,252
Internal Revenue Service	23,456,900	25,653,220
<b>Total Imputed Financing Sources</b>	<b><u><u>\$26,416,610</u></u></b>	<b><u><u>\$27,797,472</u></u></b>

## NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources represent amounts owed in excess of available appropriated or other amounts. The liquidation of liabilities not covered by budgetary resources is dependent on future congressional appropriations. The September 30, 2010 and 2009 liabilities not covered by budgetary resources consisted of the following:

	<u>2010</u>	<u>2009</u>
Intragovernmental:		
Accrued workers' compensation	\$3,143	\$6,686
Unamortized rent abatement	1,394,025	1,765,765
Total intragovernmental	<u>1,397,168</u>	<u>1,772,451</u>
Public:		
Accrued annual leave	3,037,778	2,819,101
Actuarial liability for workers' compensation	22,816	23,885
Total public	<u>3,060,594</u>	<u>2,842,986</u>
<b>Total liabilities not covered by budgetary resources</b>	<b><u><u>4,457,762</u></u></b>	<b><u><u>4,615,437</u></u></b>
Total liabilities covered by budgetary resources or non-entity assets	9,482,630	6,251,386
<b>Total liabilities</b>	<b><u><u>\$13,940,392</u></u></b>	<b><u><u>\$10,866,823</u></u></b>

## NOTE 8. OTHER LIABILITIES

Other liabilities as of September 30, 2010 and 2009 consisted of the following:

	<b>2010</b>		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Due to Treasury General Fund	\$-	\$0	\$0
Accrued employee benefits	-	493,115	493,115
Accrued workers' compensation	516	2,627	3,143
Unamortized rent abatement	1,022,285	371,740	1,394,025
<b>Total intragovernmental</b>	<b>1,022,801</b>	<b>867,482</b>	<b>1,890,283</b>
Public:			
Accrued payroll and employee benefits	-	2,023,323	2,023,323
Accrued annual leave	-	3,037,778	3,037,778
Actuarial liability for workers' compensation	22,816	-	22,816
<b>Total public</b>	<b>22,816</b>	<b>5,061,101</b>	<b>5,083,917</b>
<b>Total other liabilities</b>	<b>\$1,045,617</b>	<b>\$5,928,583</b>	<b>\$6,974,200</b>
<b>2009</b>			
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Due to Treasury General Fund	\$-	\$0	\$0
Due to other Federal agencies	-	1,573	1,573
Accrued employee benefits	-	395,546	395,546
Accrued workers' compensation	3,142	3,544	6,686
Unamortized rent abatement	1,394,025	371,740	1,765,765
<b>Total intragovernmental</b>	<b>1,397,167</b>	<b>772,403</b>	<b>2,169,570</b>
Public:			
Accrued payroll and employee benefits	-	1,816,521	1,816,521
Accrued annual leave	-	2,819,101	2,819,101
Actuarial liability for workers' compensation	23,885	-	23,885
<b>Total public</b>	<b>23,885</b>	<b>4,635,622</b>	<b>4,659,507</b>
<b>Total other liabilities</b>	<b>\$1,421,052</b>	<b>\$5,408,025</b>	<b>\$6,829,077</b>

Amounts due to other agencies include payroll collections received for employees of those agencies.

## NOTE 9. LEASES

FinCEN leases office space from the General Services Administration (GSA) under long-term occupancy agreements. All of the office space occupied by FinCEN is leased by GSA from commercial sources. GSA space is assigned to FinCEN based upon current needs. FinCEN is not committed to continue to pay rent to GSA beyond the period occupied providing proper advance notice to GSA is made. However, it is expected that FinCEN will continue to occupy and lease office space from GSA in future years. The lease expense incurred related to GSA leases during fiscal years 2010 and 2009 was \$4,722,838 and \$4,584,206, respectively.

As of September 30, 2010 future lease payments due under non-cancelable operating leases are as follows:

2011	\$24,361
2012	24,361
2013	24,361
2014	24,361
2015	24,361
Thereafter	<u>306,542</u>
<b>Total future payments</b>	<b><u>\$428,347</u></b>

## NOTE 10. COMMITMENTS AND CONTINGENCIES

FinCEN is party to various administrative proceedings, legal actions and claims. In the opinion of management and legal counsel, no legal actions against FinCEN were both probable and estimable as of September 30, 2010 and 2009, and no legal liabilities have been accrued in the accompanying financial statements.

There were no pending or threatened litigation or unasserted claims as of September 30, 2010 and 2009.



## NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and exchange revenue for the years ended September 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
<b>PROGRAM COSTS</b>		
<b>Financial systems resistant to abuse by money launders, terrorists, etc.</b>		
Intragovernmental costs	\$19,477,413	\$18,724,719
Public costs	15,442,284	14,330,761
<b>Total program costs</b>	<b>34,919,697</b>	<b>33,055,480</b>
Intragovernmental earned revenue	(27,464)	(55,039)
<b>Net program cost</b>	<b>34,892,233</b>	<b>33,000,441</b>
<b>Detection and deterrence of money laundering, terrorism financing and other illicit activity</b>		
Intragovernmental costs	17,657,061	15,569,687
Public costs	13,999,053	11,916,092
<b>Total program costs</b>	<b>31,656,114</b>	<b>27,485,779</b>
Intragovernmental earned revenue	(291,533)	(364,014)
<b>Net program cost</b>	<b>31,364,581</b>	<b>27,121,765</b>
<b>Efficient management, safeguarding, and use of BSA information</b>		
Intragovernmental costs	34,281,371	33,889,548
Public costs	27,179,312	25,937,000
<b>Total program costs</b>	<b>61,460,683</b>	<b>59,826,548</b>
Intragovernmental earned revenue	(3,039,429)	(396,590)
<b>Net program cost</b>	<b>58,421,254</b>	<b>59,429,958</b>
 <b>Net cost of operations</b>	 <b><u>\$124,678,068</u></b>	 <b><u>\$119,552,164</u></b>

The criteria used for this classification are that the intragovernmental costs relate to the source of goods and services purchased by the reporting entity, and not to the classification of related revenue. For example, “exchange revenue with the public” is when the buyer of the goods or services is a non-Federal entity. While with “intragovernmental costs,” the buyer and seller are

both Federal entities. If a Federal entity purchases goods or services from another Federal entity and sells them to the public, the exchange revenue would be classified as “with the public,” but the related costs would be classified as “intragovernmental.” The purpose of this classification is to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

## NOTE 12. STATEMENT OF BUDGETARY RESOURCES

### *Apportionment Categories of Obligations Incurred*

Obligations incurred as reported on the Statement of Budgetary Resources for the years ended September 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Direct Obligations		
Category B	\$108,317,644	\$86,540,979
Reimbursable Obligations		
Category B	<u>10,244,811</u>	<u>7,149,178</u>
<b>Total</b>	<b><u>\$118,562,455</u></b>	<b><u>\$93,690,157</u></b>

Apportionment categories are determined in accordance with the guidance provided in OMB Circular A-11, *Preparation, Submission and Execution of the Budget*. Category B represents resources apportioned for other time periods other than calendar quarters; for activities, projects, or objectives; or for any combination thereof. FinCEN only has Category B apportionments.

### *Adjustments to Beginning Balance of Budgetary Resources*

Adjustments to budgetary resources available at the beginning of fiscal years 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Recoveries of prior year obligations	\$1,460,155	\$1,582,110
Cancellations of expired accounts	<u>(1,101,875)</u>	<u>(103,067)</u>
<b>Total</b>	<b><u>\$358,280</u></b>	<b><u>\$1,479,043</u></b>

### *Differences Between the Statement of Budgetary Resources and the Budget of the United States*

The fiscal year 2012 *Budget of the United States Government* (also known as the President’s Budget) with actual numbers for fiscal year 2010, was not published at the time these financial statements were issued. The President’s Budget is expected to be published in February 2011. There were no material differences between the fiscal year 2009 Statement of Budgetary Resources and the actual fiscal year 2009 balances included in the fiscal year 2011 President’s Budget.

***Undelivered Orders at the End of the Period***

Undelivered orders as of September 30, 2010 and 2009 were \$21,093,488 and \$9,637,297, respectively.

**NOTE 13. STATEMENT OF CUSTODIAL ACTIVITY**

FinCEN assesses civil monetary penalties related to enforcement of the Bank Secrecy Act as authorized by 31 U.S.C. 5321(b). FinCEN collects this custodial revenue and distributes the full amount of penalties collected to the Treasury General Fund. For the years ended September 30, 2010 and 2009 cash collections and distributions to Treasury were \$1,050,000 and \$16,308, respectively

**NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET**

A reconciliation of net cost of operations to budget for the years ended September 30, 2010 and 2009 follows:

	<b>For the Years Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>Resources used to finance activities:</b>		
Budgetary resources obligated:		
Obligations incurred	\$118,562,455	\$93,690,157
Less: Spending authority from offsetting collections and recoveries	(11,650,439)	(8,659,541)
Obligations net of offsetting collections and recoveries	106,912,016	85,030,616
Less: Offsetting receipts	-	(16,165)
Net obligations	106,912,016	85,014,451
Other resources:		
Transfers in without reimbursement	3,944,045	5,355,153
Imputed financing from costs absorbed by others	26,416,610	27,797,472
Other	350,795	-
Net other resources used to finance activities	30,711,450	33,152,625
<b>Total resources used to finance activities</b>	<b>137,623,466</b>	<b>118,167,076</b>
<b>Resources used to finance items not part of the net cost of operations:</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	8,568,379	(710,488)
Resources that fund expenses recognized in prior periods	376,353	369,605
Budgetary offsetting collections and receipts that do not affect net cost of operations		
Other	3,944,045	5,338,988
Resources that finance the acquisition of assets	6,655,967	1,983,340
Other resources or adjustments to net obligated resources that do not affect net cost of operations	(3,593,250)	(5,355,153)
<b>Total resources used to finance items not part of the net cost of operations</b>	<b>15,951,494</b>	<b>1,626,292</b>
<b>Total resources used to finance the net cost of operations</b>	<b>121,671,972</b>	<b>116,540,784</b>

(Continued)

	<b>For the Years Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>Components of the net cost of operations that will not require or generate resources in the current period:</b>		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	\$218,678	\$427,818
Other	-	2,681
<b>Total components of net cost of operations that will require or generate resources in future periods</b>	<b>218,678</b>	<b>430,499</b>
Components not requiring or generating resources:		
Depreciation and amortization	2,291,942	2,420,252
Revaluation of assets or liabilities	496,057	160,629
Other	(581)	-
<b>Total components of net cost of operations that will not require or generate resources</b>	<b>2,787,418</b>	<b>2,580,881</b>
<b>Total components of net cost of operations that will not require or generate resources in the current period</b>	<b>3,006,096</b>	<b>3,011,380</b>
<b>Net cost of operations</b>	<b>\$124,678,068</b>	<b>\$119,552,164</b>

**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Required Supplementary Information  
For the Years Ended September 30, 2010 and 2009**

**STATEMENT OF BUDGETARY RESOURCES**

Budgetary resources disaggregated by major accounts for the years ended September 30, 2010 and 2009 consisted of the following:

	<b>2010</b>		Total
	Appropriated Funds	Trust Funds	
<b>BUDGETARY RESOURCES</b>			
Unobligated balance, brought forward, October 1	\$25,001,852	\$39,459	\$25,041,311
Recoveries of prior year unpaid obligations	1,425,096	35,059	1,460,155
Budget authority:			
Appropriations	111,010,000	-	111,010,000
<b>Spending authority from offsetting collections:</b>			
Earned			
Collected	4,307,253	-	4,307,253
Change in receivables from Federal sources	2,995,219	-	2,995,219
Change in unfilled customer orders			
Without advance from Federal sources	2,887,812	-	2,887,812
<b>Subtotal</b>	<b>121,200,284</b>	<b>-</b>	<b>121,200,284</b>
Permanently not available	(1,101,875)	-	(1,101,875)
<b>Total budgetary resources</b>	<b>\$146,525,357</b>	<b>\$74,518</b>	<b>\$146,599,875</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
<b>Obligations incurred:</b>			
Direct	\$108,308,290	\$9,354	\$108,317,644
Reimbursable	10,244,811	-	10,244,811
<b>Subtotal</b>	<b>118,553,101</b>	<b>9,354</b>	<b>118,562,455</b>
Unobligated balance:			
Apportioned	25,724,393	65,164	25,789,557
Unobligated balance not available	2,247,863	-	2,247,863
<b>Total status of budgetary resources</b>	<b>\$146,525,357</b>	<b>\$74,518</b>	<b>\$146,599,875</b>

(Continued)

	<b>2010</b>		
	Appropriated Funds	Trust Funds	Total
<b>CHANGE IN OBLIGATED BALANCES</b>			
Obligated balance, net:			
Unpaid obligations brought forward, October 1	\$14,485,113	\$83,462	\$14,568,575
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(4,478,888)	-	(4,478,888)
<b>Total unpaid obligated balance, net</b>	<b>10,006,225</b>	<b>83,462</b>	<b>10,089,687</b>
Obligations incurred, net	118,553,101	9,354	118,562,455
Less: Gross outlays	(102,070,976)	(57,757)	(102,128,733)
Less: Recoveries of prior year unpaid obligations, actual	(1,425,096)	(35,059)	(1,460,155)
Change in uncollected customer payments from Federal sources	(5,883,031)	-	(5,883,031)
<b>Obligated balance, net, end of period</b>			
Unpaid obligations	29,542,142	-	29,542,142
Less: Uncollected customer payments from Federal sources	(10,361,919)	-	(10,361,919)
<b>Total, unpaid obligated balance, net, end of period</b>	<b>\$19,180,223</b>	<b>\$-</b>	<b>\$19,180,223</b>
<b>NET OUTLAYS</b>			
Gross outlays	\$102,070,976	\$57,757	\$102,128,733
Less: Offsetting collections	(4,307,253)	-	(4,307,253)
Less: Distributed offsetting receipts	-	-	-
<b>Net outlays</b>	<b>\$97,763,723</b>	<b>\$57,757</b>	<b>\$97,821,480</b>

**United States Department of the Treasury  
Financial Crimes Enforcement Network  
Required Supplementary Information  
For the Years Ended September 30, 2010 and 2009**

	<b>2009</b>		
	Appropriated Funds	Trust Funds	Total
<b>BUDGETARY RESOURCES</b>			
Unobligated balance, brought forward, October 1	\$18,398,401	\$61,593	\$18,459,994
Recoveries of prior year unpaid obligations	1,537,236	44,874	1,582,110
Budget authority:			
Appropriations	91,465,000	-	91,465,000
<b>Spending authority from offsetting collections:</b>			
Earned			
Collected	5,788,303	-	5,788,303
Change in receivables from Federal sources	339,613	-	339,613
Change in unfilled customer orders			
Without advance from Federal sources	949,515	-	949,515
<b>Subtotal</b>	<b>98,542,431</b>	<b>-</b>	<b>98,542,431</b>
Non-expenditure transfer, net: anticipated and actual	250,000	-	250,000
Permanently not available	(103,067)	-	(103,067)
<b>Total budgetary resources</b>	<b>\$118,625,001</b>	<b>\$106,467</b>	<b>\$118,731,468</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
<b>Obligations incurred:</b>			
Direct	\$86,473,971	\$67,008	\$86,540,979
Reimbursable	7,149,178	-	7,149,178
<b>Subtotal</b>	<b>93,623,149</b>	<b>\$67,008</b>	<b>93,690,157</b>
Unobligated balance:			
Apportioned	20,318,493	39,459	20,357,952
Unobligated balance not available	4,683,359	-	4,683,359
<b>Total status of budgetary resources</b>	<b>\$118,625,001</b>	<b>\$106,467</b>	<b>\$118,731,468</b>

(Continued)



	<b>2009</b>		
	Appropriated Funds	Trust Funds	Total
<b>CHANGE IN OBLIGATED BALANCES</b>			
Obligated balance, net:			
Unpaid obligations brought forward, October 1	\$12,711,889	\$88,035	\$12,799,924
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(3,189,760)	-	(3,189,760)
<b>Total unpaid obligated balance, net</b>	<b>9,522,129</b>	<b>88,035</b>	<b>9,610,164</b>
Obligations incurred, net	93,623,149	67,008	93,690,157
Less: Gross outlays	(90,312,690)	(26,707)	(90,339,397)
Less: Recoveries of prior year unpaid obligations, actual	(1,537,236)	(44,874)	(1,582,110)
Change in uncollected customer payments from Federal sources	(1,289,128)	-	(1,289,128)
<b>Obligated balance, net, end of period</b>			
Unpaid obligations	14,485,113	83,462	14,568,575
Less: Uncollected customer payments from Federal sources	(4,478,888)	-	(4,478,888)
<b>Total, unpaid obligated balance, net, end of period</b>	<b>\$10,006,225</b>	<b>\$83,462</b>	<b>\$10,089,687</b>
<b>NET OUTLAYS</b>			
Gross outlays	\$90,312,690	\$26,707	\$90,339,397
Offsetting collections	(5,788,303)	-	(5,788,303)
Distributed offsetting receipts	(16,165)	-	(16,165)
<b>Net outlays</b>	<b>\$84,508,222</b>	<b>\$26,707</b>	<b>\$84,534,929</b>

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## Independent Auditor's Report on Financial Statements

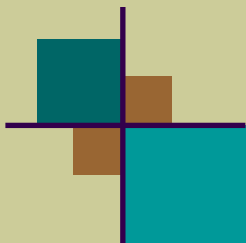
Inspector General, U.S. Department of the Treasury, and  
Director, Financial Crimes Enforcement Network:

We have audited the accompanying balance sheet of the U.S. Department of the Treasury - Financial Crimes Enforcement Network (FinCEN) as of September 30, 2010, and the related statements of net cost, changes in net position, budgetary resources and custodial activity (hereinafter referred to as "financial statements") for the year then ended. These financial statements are the responsibility of FinCEN's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of FinCEN as of September 30, 2009 were audited by another auditor whose report dated December 15, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

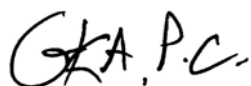
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FinCEN as of September 30, 2010, and its net costs, changes in net position, budgetary resources and custodial activity for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information in the Management Discussion and Analysis and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited



procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 29, 2010, on our consideration of FinCEN's internal control over financial reporting, and on our tests of its compliance with certain provisions of applicable laws, regulations, and contracts. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

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October 29, 2010

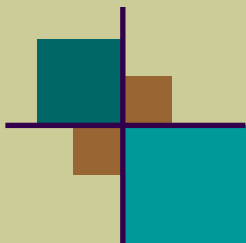
## **Independent Auditor's Report on Internal Control over Financial Reporting**

Inspector General, U.S. Department of the Treasury, and  
Director, Financial Crimes Enforcement Network:

We have audited the balance sheet and the related statements of net cost, changes in net position, budgetary resources and custodial activity, hereinafter referred to as "financial statements" of the U.S. Department of the Treasury - Financial Crimes Enforcement Network (FinCEN) as of and for the year ended September 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

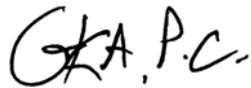
In planning and performing our audit, we considered FinCEN's internal control over financial reporting by obtaining an understanding of the design effectiveness of FinCEN's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on the effectiveness of FinCEN's internal control over financial reporting. Consequently, we do not provide an opinion on the effectiveness of FinCEN's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the



entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Management of FinCEN, the Department of the Treasury Office of Inspector General, the Government Accountability Office, OMB, and the U.S. Congress, and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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October 29, 2010

**Independent Auditor's Report on Compliance with  
Laws and Regulations**

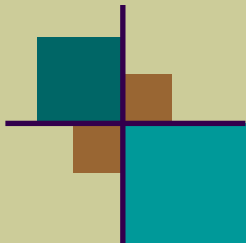
Inspector General, U.S. Department of the Treasury, and  
Director, Financial Crimes Enforcement Network:

We have audited the balance sheet and the related statements of net cost, changes in net position, budgetary resources and custodial activity, hereinafter referred to as “financial statements” of the U.S. Department of the Treasury - Financial Crimes Enforcement Network (FinCEN) as of and for the year ended September 30, 2010, and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, the applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of FinCEN is responsible for complying with laws and regulations applicable to FinCEN. As part of obtaining reasonable assurance about whether FinCEN’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including certain requirements referred to in Section 803(a) of the *Federal Financial Management Improvement Act (FFMIA) of 1996*. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to FinCEN. However, our objective was not to provide an opinion on overall compliance with laws, regulations and contracts. Accordingly, we do not express such an opinion.

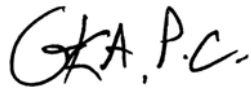
The results of our tests of compliance with laws, regulations and contracts described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04.

Under FFMIA, we are required to report whether FinCEN’s financial management systems substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.



The results of our tests disclosed no instances in which FinCEN's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

This report is intended solely for the information and use of the Management of FinCEN, the Department of the Treasury Office of Inspector General, the Government Accountability Office, OMB, and U.S. Congress and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "G.A.P.C." with a stylized flourish under the "A".

October 29, 2010