

Bank Secrecy Act Compliance Program



AUDIT REPORT

Report Number 24-043-R24 | August 5, 2024



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Highlights

Background

To combat money laundering in the United States, Congress enacted a series of laws, collectively referred to as the Bank Secrecy Act (BSA), requiring financial institutions in the U.S. to assist government agencies in detecting and preventing money laundering and other financial crimes. The BSA requires financial institutions to create “paper trails” by keeping records and filing reports on certain transactions to the U.S. Department of the Treasury’s Financial Crimes Enforcement Network.

The BSA’s reporting and recordkeeping provisions apply to banks, savings and loans, and credit unions as well as other financial institutions, including money services businesses (MSBs). The Postal Service is classified as a MSB as it sells money orders, conducts Sure Money wire transfers (an electronic money transfer service), and sells gift cards. The BSA requires all MSBs to establish and maintain an effective written anti-money laundering program.

What We Did

Our objective was to evaluate the Postal Service’s BSA and anti-money laundering program for compliance with recordkeeping, reporting, and training regulations. We reviewed 200 money order transactions for compliance with BSA recordkeeping and reporting requirements, interviewed employees who sell or manage the sale of money orders at 10 post offices, and reviewed fiscal year (FY) 2023 BSA training completion status for applicable employees.

What We Found

We found that the Postal Service generally complied with BSA recordkeeping and reporting requirements and the employees we interviewed were generally aware of their responsibilities under the BSA. However, we identified approximately 2,000 employees who had not completed the FY 2023 annual BSA compliance training and did not appear on the report used by the BSA compliance office to track training completion status.

Recommendation and Management’s Comments

We made one recommendation to review the process for generating the training status report and ensure it includes all relevant employees. Postal Service management agreed with the recommendation. Management’s comments and our evaluation are at the end of the finding and recommendation. The U.S. Postal Service Office of Inspector General considers management’s comments responsive to the recommendation. Corrective actions should resolve the issue identified in the report. See [Appendix B](#) for management’s comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 5, 2024

MEMORANDUM FOR: JOSEPH CORBETT
CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT

A handwritten signature in black ink, reading "Alan MacMullin", is positioned above the typed name.

FROM: Alan MacMullin
Deputy Assistant Inspector General
for Finance, Pricing, and Human Capital

SUBJECT: Audit Report – Bank Secrecy Act Compliance Program
(Report Number 24-043-R24)

This report presents the results of our audit of the Bank Secrecy Act Compliance Program.

All recommendations require the U.S. Postal Service Office of Inspector General (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Christa Owens, Director, Finance, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management
Secretary of the Board of Governors

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the Postal Service Bank Secrecy Act (BSA) compliance program (Project Number 24-043). Our objective was to evaluate the Postal Service's BSA and anti-money laundering program for compliance with recordkeeping, reporting, and training regulations. See [Appendix A](#) for additional information about this audit.

Background

To combat money laundering in the United States, Congress enacted a series of laws, collectively referred to as the BSA, requiring financial institutions in the U.S. to assist government agencies in detecting and preventing money laundering and other financial crimes. The BSA requires financial institutions to create "paper trails" by keeping records and filing reports on certain transactions. These reports are submitted to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). FinCEN collects and analyzes the information to support law enforcement investigative efforts and to provide U.S. policy makers with strategic analyses of domestic worldwide money laundering developments, trends, and patterns.

The BSA's reporting and recordkeeping provisions apply to banks, savings and loans, and credit unions as well as other financial institutions, including money services businesses (MSBs). The Postal Service is classified as a MSB as it sells money orders, conducts Sure Money wire transfers,¹ and sells gift cards. The BSA requires all MSBs to establish and maintain an effective, written anti-money laundering program

designed to prevent the MSB from facilitating money laundering and the financing of terrorist activities. The Postal Service's BSA Compliance Office is responsible for the development, maintenance, and continual enhancement of a comprehensive, effective BSA/anti-money laundering compliance program.

As a MSB, the Postal Service is required to gather and keep a record of personal information from customers who purchase \$3,000 or more of financial instruments in a single day and must report transactions in currency of more than \$10,000 in a single day to FinCEN. Additionally, the Postal Service must recognize suspicious transactions, and report them to FinCEN. Indicators of a suspicious transaction may include:

- A customer purchases under \$3,000 of financial instruments and attempts further purchases.
- A customer frequently purchases less than \$3,000 of financial instruments.
- Two or more customers working together.
- A customer asks for a lesser amount after being asked to complete a Postal Service (PS) Form 8105-A.²

Postal Service employees may identify and report suspicious transactions at the point of sale based on observations of customer behavior or remotely based on analysis of transaction data. During calendar year (CY) 2023, Postal Service employees completed nearly [REDACTED] 8105-A and 8105-B³ forms and filed over [REDACTED] reports with FinCEN, as noted in [table 1](#) below.

¹ Sure Money is an electronic money transfer service that transfers funds from certain post offices to 10 Latin American countries.

² PS Form 8105-A is used to record customer personal identifying information and is required for purchases of at least \$3,000 or redemptions greater than \$10,000 by one person in one day.

³ PS Form 8105-B is used by employees in the field to report potentially suspicious transactions.

Table 1. Postal Service CY 2023 Recordkeeping and Reporting Activity

Type of Activity	Form or Report	Count
Recordkeeping	PS Form 8105-A Funds Transaction Report	██████
Recordkeeping	PS Form 8105-B Suspicious Transaction Report	██████
Reporting	Currency Transaction Report ⁴	██████
Reporting	Suspicious Activity Report ⁵	██████

Source: Postal Service BSA Compliance Office.

Postal Service policy requires annual training of employees who sell or manage the sale of

Postal Service financial instruments in key aspects of the regulatory requirements of the BSA and related Postal Service policies and procedures. New personnel are trained on Postal Service compliance policies and procedures prior to customer facing activity, such as conducting money order transactions. Completion of the online BSA training is documented in HERO⁶ for Postal Service employees and contractors.

The Postal Service assigns, in HERO, the annual BSA training based on access to the Retail Systems Software⁷ or e1412⁸ systems. Training is assigned initially in the spring. After that, as employees gain access to these systems, training is automatically assigned throughout the year. The BSA Compliance Office tracks the completion of this training.

4 The Currency Transaction Report is a report to FinCEN of purchase or redemption of more than \$10,000 of financial products by one person in one day.

5 The Suspicious Activity Report is a report to FinCEN of potentially suspicious transactions involving financial products.

6 HERO is a platform with multiple capabilities, including training management, used by the Postal Service.

7 Retail Systems Software is the hardware and software retail transaction system used in post offices.

8 The e1412 system provides the capability to input and report on daily financial activity over the web for non-automated reporting units.

Finding: BSA Recordkeeping, Reporting, and Training

We found that the Postal Service generally complied with its policies and BSA recordkeeping and reporting requirements for money order transactions.

We reviewed 200 randomly selected money order transactions that occurred during CY 2023 and determined that they were complete, accurate, and in compliance with BSA requirements. Specifically, we reviewed:

- 80 suspicious transactions.
- 80 transactions with a value of \$3,000 to \$10,000.
- 40 transactions with value of over \$10,000.

We also visited 10 post offices to interview retail staff and unit management who sell or manage the sale of Postal Service financial instruments. The employees we interviewed were generally aware of their responsibilities under BSA and stated that they had received BSA training.

However, we found that some employees who had access to the relevant systems did not complete required BSA training. We compared training records from HERO to a list of employees with access to either the Retail Systems Software or e1412 systems as of the end of fiscal year (FY) 2023. We identified 1,995 out of 88,980 (2.2%) employees who had access to one or both systems but had not completed the FY 2023 annual BSA compliance training and did not appear on the report used by the BSA Compliance Office to track BSA training completion status. Of the 1,995 employees, 337 were assigned the training but had not completed it. This occurred because management did not ensure all employees with relevant system access appeared on the tracking report.

“We found that some employees who had access to the relevant systems did not complete required BSA training.”

Postal Service policy⁹ requires annual BSA training for employees who sell or manage the sale of Postal Service financial instruments. The Postal Service successfully provided BSA training to about 98 percent of its intended target audience. If the BSA Compliance Office does not properly track training completion status for some employees with the relevant system access, then it cannot achieve its goal of providing ongoing annual training to all relevant employees. As a result, personnel who sell money orders or other Postal Service financial instruments may not be aware of all their responsibilities covered in the BSA training.

Recommendation

We recommend the **Chief Financial Officer and Executive Vice President**, direct the Bank Secrecy Act Compliance Officer to review the process for generating the training status report and ensure it includes all relevant employees so they can be tracked for compliance with annual training requirements.

⁹ FY 2023 U.S. Postal Service BSA/AML Compliance Program Policy Manual - [REDACTED], Training Requirements for All Personnel Involved with Postal Financial Products.

Postal Service Response

Management agreed with the recommendation. In a subsequent communication, management also agreed with the finding.

For recommendation 1, management suspects that a system-related issue is preventing the assignment of training to the entire population of relevant employees and reported the issue to the relevant development teams for remediation. The BSA training monitoring procedures will be updated to include reconciling access reports from the eAccess system with assignment reports from the HERO system. The target implementation date is September 30, 2024.

OIG Evaluation

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation, and corrective actions should resolve the issues identified in the report.

Other Matters

During fieldwork, we identified potential security matters and financial control issues at three locations that require management attention. Specifically, staff and management expressed concerns regarding physical security that included [REDACTED]

[REDACTED] In addition, we observed concerns over [REDACTED]

[REDACTED] at one location. We are not making any recommendations at this time, but we will monitor this issue and conduct related audit work as part of our oversight responsibilities in the future.

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Appendix A: Additional Information

Scope and Methodology

The audit assessed Postal Service compliance with BSA regulations. Our scope included money order transactions occurring during CY 2023 and BSA annual training developed for FY 2023.

To accomplish our objective, we:

- Interviewed the BSA Compliance Officer and BSA Compliance Office staff.
- Selected and tested a random sample of 200 money order transactions from 40 randomly selected days to determine compliance with recordkeeping and reporting requirements. We selected the sample from three groups:
 - Suspicious transactions – we randomly selected 80 of [REDACTED] transactions that were reported to FinCEN on a Suspicious Activity Report and/or for which a form 8105-B, Suspicious Transaction Report, was filed.
 - Transactions of \$3,000 to \$10,000 – we randomly selected 80 of [REDACTED] transactions totaling between \$3,000 and \$10,000.
 - Transactions over \$10,000 – we randomly selected 40 of [REDACTED] transactions totaling over \$10,000.
- Reviewed BSA analysts' process to determine if money order transactions are suspicious or not suspicious.
- Reviewed FY 2023 BSA training records to determine if relevant employees completed the training.
- Observed the processes related to BSA transactions and interviewed management and retail sales associates at 10 post offices. We judgmentally selected these 10 locations primarily based on money order sales volume and efficiency of travel to the location.

We conducted this performance audit from January through August 2024, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We discussed our observations and conclusions with management on July 11, 2024, and included their comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the Postal Service's BSA internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. Additionally, we assessed the internal control components and underlying principles, and we determined that the following two components were significant to our audit objective: control activities and information and communication.

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified an internal control deficiency related to training that was significant within the context of our objectives. Our recommendation, if implemented, should correct the weaknesses we identified.

We assessed the reliability of data from the following systems:

- For training data from HERO and system access data from eAccess, we matched the name and ACE ID to ensure the two systems agreed. We ensured the training titles, training dates, and ACE IDs fell within expected parameters.
- For transaction data from the Web Bank Secrecy Act Application and the Enterprise Data Warehouse, we traced selected money order transactions to supporting documents and verified that serial numbers, money order face value, transaction dates, and unit finance number data fell within expected parameters.

We determined that the data was sufficiently reliable for the purpose of this report.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>Bank Secrecy Act Compliance</i>	Determine whether the Postal Service properly reviews and reports suspicious activities information and evaluate contractor compliance and Postal Service oversight of its BSA training contract.	20-158-R21	01-19-2021	None

Appendix B: Management's Comments



July 25, 2024

JOHN CIHOTA
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: Bank Secrecy Act Compliance Program (Report Number 24-043)

Thank you for providing the Postal Service an opportunity to review and comment on the findings contained in the Office of Inspector General's (OIG) draft audit report, *Bank Secrecy Act Compliance Program*.

OIG's Recommendation: We recommend the Chief Financial Officer and Executive Vice President direct the Bank Secrecy Act Compliance Officer to review the process for generating the training status report and ensure it includes all relevant employees so they can be tracked for compliance with annual training requirements.

Management Response/Action Plan: Management agrees with the OIG's recommendation. Management suspects a system-related problem is preventing the assignment of training to the entire population of relevant employees, based on similar issues experienced during the current roll-out of fiscal year 2024 training. Management has reported this issue to the eAccess and HERO development teams for remediation.

The BSA training monitoring procedures will be updated to include reconciling access reports from eAccess with assignment reports from HERO.

Target Implementation Date: September 30, 2024

Responsible Official: Assistant Treasurer, Finance & Cash Management

We have shared the OIG's memo and draft audit report comments on the OIG's field observations both internally and with the United States Postal Inspection Service. A memo addressing these concerns will be provided under separate cover responding to the OIG's observations.

A handwritten signature in blue ink that reads "Joseph Corbett".

Joseph Corbett

cc: Corporate Audit Response Management

OFFICE OF INSPECTOR GENERAL

UNITED STATES



Contact us via our [Hotline](#) and [FOIA](#) forms. Follow us on social networks. Stay informed.

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