



# Audit Report



OIG-14-029

TERRORIST FINANCING/MONEY LAUNDERING: FinCEN's BSA IT Modernization Program is on Budget, on Schedule, and Close to Completion

March 25, 2014

Office of  
Inspector General

Department of the Treasury

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## Abbreviations

BSA	Bank Secrecy Act
BSA IT Mod	BSA Information Technology Modernization Program
DMC	Data Management Council
FinCEN	Financial Crimes Enforcement Network
IRS	Internal Revenue Service
IT	Information Technology
MITRE	MITRE Corporation
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
SOR	system of record
TEOAF	Treasury Executive Office of Asset Forfeiture

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*The Department of the Treasury  
Office of Inspector General*

March 25, 2014

Jennifer Shasky Calvery, Director  
Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) administers the Bank Secrecy Act (BSA), which established the framework to combat criminal use of the financial system. BSA requires financial institutions to report certain financial transactions made by their customers. FinCEN oversees the management, processing, storage, and dissemination of BSA data. In November 2006, FinCEN began a system development effort, the BSA Information Technology Modernization Program (BSA IT Mod), to improve the collection, analysis, and sharing of BSA data. The intent of the effort was, among other things, to transition BSA data from the Internal Revenue Service (IRS) to FinCEN. BSA IT Mod is estimated to cost \$120 million and is to be completed in 2014.

Pursuant to a Congressional directive, we conducted the fifth in a series of audits of FinCEN's BSA IT Mod.<sup>1</sup> Consistent with the Congressional directive, the objectives of the audit were to determine if FinCEN is (1) meeting cost, schedule, and performance benchmarks for the program and (2) providing appropriate oversight of contractors. We also assessed any deviations from FinCEN's plan. The period covered by this audit was July through December

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<sup>1</sup> House Report (H. Rept.) 112-331 directed our office to report on BSA IT Mod, including contractor oversight and progress regarding budget and schedule, semiannually. Our prior four reports issued under this directive are: *FinCEN's BSA IT Modernization Program Is on Schedule and Within Cost But Requires Continued Attention to Ensure Successful Completion* (OIG-12-047; Mar. 26, 2012); *FinCEN's BSA IT Modernization Program Is Meeting Milestones, But Oversight Remains Crucial* (OIG-12-077; Sep. 27, 2012); *FinCEN's BSA IT Modernization Program Met Milestones with Schedule Extensions* (OIG-13-036; Mar. 28, 2013); and *FinCEN's BSA IT Modernization Program Was within Budget and on Schedule But Users Suggest Enhancements* (OIG-13-053; Sep. 25, 2013).

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2013. We interviewed FinCEN program officials, Treasury's Office of Chief Information Officer (OCIO) officials, and representatives from Deloitte Consulting, LLP (Deloitte), and MITRE Corporation (MITRE), the contractors involved with the program.<sup>2</sup> We also reviewed applicable program documentation. We performed our fieldwork from November 2013 through January 2014. Appendix 1 provides a more detailed description of our audit objectives, scope, and methodology. Appendix 2 provides additional background information on BSA IT Mod, including its component projects.

In September 2013, we reported on FinCEN's BSA IT Mod as of June 2013.<sup>3</sup> We found that BSA IT Mod was within budgeted costs and that all planned milestones were completed except one, the Broker Information Exchange project.<sup>4</sup> The schedule for this milestone, the last one for BSA IT Mod, was modified to incorporate phases and adjusted from April 2013 to April 2014 because of a reorganization of FinCEN that required additional time to define the project's requirements and align with the new organization areas and priorities. Additionally, we reported that FinCEN Query users from law enforcement and regulatory agencies we interviewed were generally satisfied with the system, but expressed some limitations and suggested enhancements.<sup>5</sup> FinCEN analysts we interviewed told us that Advanced Analytics met their

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<sup>2</sup> FinCEN contracted with Deloitte to oversee the systems development and integration effort. Deloitte was the prime contractor in the BSA IT Mod effort. FinCEN also engaged MITRE as a subject matter expert on program and project management and BSA IT Mod business capabilities. MITRE is a not-for-profit organization chartered to work in the public interest with expertise in systems engineering, information technology, operational concepts, and enterprise modernization. See appendix 2 for additional detail about FinCEN's BSA IT Mod contracts.

<sup>3</sup> *FinCEN's BSA IT Modernization Program Was within Budget and on Schedule But Users Suggest Enhancements* (OIG-13-053; Sep. 25, 2013).

<sup>4</sup> The Broker Information Exchange project is to provide a mechanism to share case information for both internal and external users. It also is to allow (a) law enforcement agencies to submit requests through FinCEN to financial institutions for information about financial accounts and transactions of persons or businesses that may be involved in terrorism or money laundering and (b) financial institutions to share information with one another through FinCEN to identify and report suspicious money laundering or terrorist activities to the federal government.

<sup>5</sup> FinCEN Query is used by FinCEN internal users and by registered external users to retrieve and analyze BSA data.

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needs though it was somewhat complex; the analysts also stated that additional training would be beneficial.<sup>6</sup>

In addition, we reported that BSA IT Mod had progressed from the development phase to the operations and maintenance phase and that there was a continued risk to the remaining project development work with the program's high-level of dependency between its component projects. Another risk we identified was that users' needs differed and that FinCEN should consider, prioritize, and accommodate those differences. We cautioned that FinCEN's continued attention will be necessary as FinCEN Query and Advanced Analytics users become more familiar with the system and may request changes, enhancements, and support.

## Results in Brief

As of December 2013, we found that BSA IT Mod remained within budgeted costs and was on schedule to be completed by April 1, 2014. During the audit period, FinCEN completed the first phase of Release 2 of the Broker Information Exchange, the final milestone project, within budget but 7 weeks beyond the planned schedule. We do not consider this delay as significant.

FinCEN conducted performance testing of BSA IT Mod for the first phase of Release 2 of the Broker Information Exchange and system releases completed as part of operations and maintenance.<sup>7</sup> FinCEN also completed its first user survey on FinCEN Portal<sup>8</sup> and FinCEN Query, which will be used as a baseline for future customer satisfaction surveys.<sup>9</sup> Survey respondents indicated that accessing BSA data and developing queries was somewhat cumbersome and complex. Users also expressed the need for additional training and enhancements.

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<sup>6</sup> Advanced Analytics provides complex search and retrieval functionality such as statistical analyses for FinCEN internal users to support their analytical, law enforcement, and regulatory activities.

<sup>7</sup> In the operations and maintenance phase, FinCEN manages the BSA IT Mod as one complete system; this includes prioritizing and resolving defects and change requests in common combined releases.

<sup>8</sup> Law enforcement and regulators access BSA data by logging through FinCEN Portal and then accessing FinCEN Query.

<sup>9</sup> *2013 FinCEN Portal and FinCEN Query Performance Measure Survey FY 2013* (Sep. 2013).

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In our previous audit, users told us that there was no mechanism to allow agency BSA IT Mod administrators to monitor staff use of FinCEN Query or to limit access to particular features to detect potential misuse and help ensure that BSA data is safeguarded. During this audit, FinCEN agreed to provide one user agency with logs detailing its employees' use of FinCEN Query.<sup>10</sup> FinCEN has acknowledged its responsibility to monitor usage of FinCEN Query, and has begun to develop its own inspection program to monitor potential misuse.

In our September 2013 report, we reported that FinCEN maintained oversight of BSA IT Mod and that MITRE and Deloitte were providing less support to FinCEN's BSA IT Mod program management as the development effort moved into operations and maintenance. We also found Treasury OCIO's monitoring of the program was appropriate based on the overall positive track record by FinCEN managing the BSA IT Mod development effort. During our current audit, FinCEN's oversight responsibilities increased by providing more direction and oversight of the integration across the various contracts as contractors transitioned away from providing development program support.<sup>11</sup> No change occurred in the level of program oversight by Treasury OCIO.

We are recommending that FinCEN (1) continue to work with users to address user requests for training and enhancements and (2) make agencies aware of the process for contacting FinCEN if misuse of BSA data is suspected.

In its management response, which is provided in appendix 4, FinCEN concurred with our recommendations. Its actions, both taken and planned, are summarized in the Recommendations section of this report and meet the intent of the recommendations. With regard to continuing to address user requests for training and enhancements, FinCEN uses the Data Management Council (DMC) as the forum to discuss the business impacts of system issues

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<sup>10</sup> BSA IT Mod includes an audit log of user activity on the system. FinCEN officials stated that FinCEN is ultimately responsible for maintaining the logs and monitoring BSA IT Mod system use.

<sup>11</sup> During the period covered by our audit, Deloitte discontinued providing FinCEN with BSA IT Mod program management and operations and maintenance support as the contract for these tasks expired. FinCEN awarded contracts to other contractors for these services. See appendix 2 for additional detail.



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raised by users.<sup>12</sup> FinCEN will continue to use the DMC in this manner as it prioritizes work efforts throughout operations and maintenance. With regard to making agencies aware of the process for contacting FinCEN if misuse of BSA data is suspected, FinCEN plans to present the current process for investigating potential misuse of data to the DMC. Additionally, FinCEN will notify each agency coordinator that if misuse of BSA data is suspected, the coordinator should contact FinCEN.

## Findings

### Finding 1 **BSA IT Mod Program Remained within Budget and Mostly on Schedule**

As of December 2013, we found that BSA IT Mod remained within budgeted costs and was on schedule to be completed by April 1, 2014. During the audit period, FinCEN completed the first phase of Release 2 of the Broker Information Exchange, the final milestone project, within budget but 7 weeks beyond the planned schedule. We do not consider the delay as significant.

#### **BSA IT Mod Kept within Budgeted Costs**

As of December 31, 2013, FinCEN reported that it spent approximately \$105.7 million developing BSA IT Mod from its overall \$120 million, 4-year planned budget. Not included in this amount was approximately \$11.2 million in initial program planning costs, which we addressed in our March 2012 report. In that regard, FinCEN's actual program costs incurred through December 2013 were approximately \$116.9 million. A breakdown by category of the actual costs incurred is provided in Table 1 below.

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<sup>12</sup> The DMC provides a forum for internal and external stakeholders to communicate their organizations' views to FinCEN. These members provide input on system and data-related topics including request for changes, data-related issues, and system defects.

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**Table 1: BSA IT Mod Costs as of December 31, 2013 (in millions)**

<b>Category</b>	<b>Amount</b>
Initial Planning	\$11.2
Development	
Hardware and Software	10.3
Contractor Services	46.0
Other <sup>1</sup>	15.4
Operations and Maintenance <sup>2</sup>	27.4
FinCEN staffing costs <sup>3</sup>	6.6
<b>Total</b>	<b>\$116.9</b>

Source: OIG analysis of FinCEN data.

<sup>1</sup> Other costs are comprised of (1) program management and program engineering performed by contractors including Deloitte and MITRE, (2) a contract office fee of 4 percent for the Department of the Interior's National Business Center Acquisition Services Directorate for contract support of the BSA IT Modernization Program, and (3) a management reserve for potential additional work to be performed within the authorized work scope of the contract or to accommodate rate changes for future work.

<sup>2</sup> Operations and Maintenance costs are comprised of hosting costs by the Treasury's Bureau of the Fiscal Service, hardware and software maintenance support, network support, application support, and the application help desk costs.

<sup>3</sup> Staffing costs are estimated based on FinCEN's Exhibit 300 submissions to the Office of Management and Budget (OMB). FinCEN does not track the staffing costs associated with BSA IT Mod. (Note: Required by OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, the Exhibit 300 describes the justification, planning, and implementation of an agency's major IT investments.)

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FinCEN is funding BSA IT Mod through \$119.9 million made available in its annual congressional appropriations and through supplemental funding from the Treasury Forfeiture Fund administered by the Treasury Executive Office of Asset Forfeiture (TEOAF). TEOAF provided funding for BSA IT Mod consistent with its authority to provide funds for law enforcement related expenditures.<sup>13</sup> Table 2 below identifies the program's funding sources by year.

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<sup>13</sup> The Treasury Forfeiture Fund, which is the receipt account for the deposit of non-tax forfeitures resulting from law enforcement actions by participating Treasury and Department of Homeland Security agencies. The Treasury Forfeiture Fund was established under 31 U.S.C. § 9703. The Fund can provide money to other federal entities to accomplish specific objectives for which the recipient entities are authorized to spend money and toward other authorized expenses. Distributions from this Fund in excess of \$500,000 cannot be used until the Appropriations Committees from both houses of Congress are notified. TEOAF submits its planned release of funds to Congress annually. Those submissions through fiscal year 2012 included the funding provided for the BSA IT Mod program.

**Table 2: BSA IT Mod Funding Sources as of December 31, 2013  
(in millions)**

<b>Fiscal Year</b>	<b>Congressional Appropriation</b>	<b>Treasury Forfeiture Fund</b>	<b>Total</b>
2009	\$2.5	\$3.7	\$6.2
2010	18.5	11.7	30.2
2011	18.5	11.5	30.0
2012	23.5	6.5	30.0
2013	23.5	0.0	23.5
<b>Total</b>	<b>\$86.5</b>	<b>\$33.4</b>	<b>\$119.9</b>

Source: OIG analysis of FinCEN and TEOAF documentation.

After the planned completion of the final milestone project (the second phase of Release 2 of the Broker Information Exchange) in April 2014, FinCEN will continue to fund BSA IT Mod operation and maintenance through FinCEN’s annual appropriation. FinCEN’s fiscal year 2014 budget request included \$23.5 million to fund the program’s operation and maintenance.<sup>14</sup>

**BSA IT Mod Remained on Schedule But the First Phase of Final Milestone Project Was Delayed**

As of December 31, 2013, BSA IT Mod remained on schedule and is to be completed by April 1, 2014, with the planned completion of the final milestone project – the second phase of Release 2 of the Broker Information Exchange. Appendix 3 provides the status of BSA IT Mod by project.

During the audit period, FinCEN completed the first phase of Release 2 of the Broker Information Exchange within budgeted costs but 7 weeks beyond the planned schedule. FinCEN program management officials told us that additional time was required to finalize the project requirements and resolve software integration issues encountered during development and testing.<sup>15</sup>

<sup>14</sup> FinCEN’s fiscal year 2014 budget request was \$103.9 million. Congress appropriated \$112 million to FinCEN in the Consolidated Appropriations Act, 2014 (Public Law 113-76).

<sup>15</sup> The term software integration refers to the process that ensures software works together correctly; integration issues between Microsoft and Oracle software platforms caused the delay.

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**Finding 2****FinCEN Addressed User Requested Enhancements and Completed the First Survey on FinCEN Query**

FinCEN conducted performance testing of BSA IT Mod for the first phase of Release 2 of the Broker Information Exchange and system releases completed as part of operations and maintenance. FinCEN also completed its first user survey on FinCEN Portal and FinCEN Query, which will be used as a baseline for future customer satisfaction survey results. Survey respondents indicated that accessing BSA data and developing queries was somewhat cumbersome and complex. Users also expressed the need for additional training and enhancements.

**Performance Testing of BSA IT Mod Continued**

FinCEN continued performance testing through government acceptance testing.<sup>16</sup> FinCEN tested the first phase of Release 2 of the Broker Information Exchange, as well as the enhancements completed to other releases as part of operations and maintenance. FinCEN continued to manage BSA IT Mod in the operations and maintenance phase.

FinCEN officials told us there were no significant data processing issues or significant performance issues observed in production. FinCEN and MITRE officials considered all open defects to be of low severity, meaning that the defects would not significantly impair program performance or functionality.<sup>17</sup> Our review of program documentation did not identify any significant performance issues.

**FinCEN Conducted an Initial Customer Satisfaction Survey**

As of December 31, 2013, approximately 9,500 users had performed approximately 4.5 million data queries since FinCEN

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<sup>16</sup> Government acceptance testing is the Government's opportunity to validate that the current release's requirements were met. This includes testing functionality, system usability, permissions and security, compatibility testing, and traceability to business requirements through test script execution, demonstrations and inspections. Performance and response time are also observed.

<sup>17</sup> FinCEN logs and prioritizes all defects, requests for change and enhancements, as well as necessary fixes to repair system functionality. As of December 31, 2013, FinCEN had 189 requests for changes and enhancements and 291 open defects, which FinCEN continued to address.

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Query went live in September 2012. In June 2013, FinCEN surveyed 8,000 users of FinCEN Portal and FinCEN Query regarding their level of satisfaction with those systems. Approximately 1,000 responses were received representing a response rate of 13 percent. According to the survey administrator used by FinCEN, the response rate was sufficient to ensure a high sampling confidence of over 90 percent.<sup>18</sup>

The survey results revealed a score of 62, on a scale of 0 to 100, regarding the respondents' overall level of satisfaction with FinCEN Query.<sup>19</sup> This score was derived from the responses to three survey questions in which respondents rated their experiences with FinCEN Query—their overall satisfaction in accessing BSA data through FinCEN Query; how FinCEN Query met their expectations; and how FinCEN Query compared to what the respondents would consider to be an ideal BSA data and retrieval system. Also of note, the respondents favorably rated the overall value of BSA data (a score of 77) as well as the support received from FinCEN's application's help desk (a score of 84).

The survey also provided several open-ended questions where respondents could comment. Respondent's comments to the survey indicated that accessing BSA data through FinCEN Portal and developing queries through FinCEN Query was somewhat cumbersome and complex. Respondents also stated the need for additional training, including hands-on training, as well as enhancements.

Survey ratings from one component within IRS, representing 26 percent of the total survey responses, were markedly less favorable than those provided by respondents from other agencies. FinCEN and IRS officials told us that users with this one IRS component were still transitioning away from a legacy BSA data system

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<sup>18</sup> The survey was administered by CFI Group, which has conducted surveys on behalf of FinCEN since 2005.

<sup>19</sup> An American Customer Satisfaction Index (ACSI) score was derived from the weighted average of 3 survey questions. ACSI is the only uniform, cross-industry/government measure of customer satisfaction and used to develop benchmarks across government. ACSI has measured more than 100 programs of federal agencies since 1999. The federal government's ACSI score was 68 for 2012.

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maintained by IRS and that they had not been using FinCEN Query for as long as other agencies.

At the time of the survey, FinCEN Query had been available to external users for about 9 months.<sup>20</sup> FinCEN program officials told us that the survey results established a baseline for improvement, as it was the first survey involving FinCEN Portal and FinCEN Query. They expected survey scores to be generally low because FinCEN Portal and FinCEN Query were still relatively new to users, but expected future survey scores to rise as users become more familiar with the systems through experience and training.

FinCEN officials told us that, overall, the survey indicated that users needed to be better educated on how FinCEN Query is a search engine and how it is data-driven as opposed to forms-driven, meaning it returns all the data regardless of form-type, in order to improve their ability to use it. As planned, FinCEN, in conjunction with user group liaisons, completed development of a training plan for external users and its analysts in February 2014.

### **FinCEN Continued to Address User Requests for Enhancements**

In our last report, we noted that BSA IT Mod users had identified some limitations with FinCEN Query and cited the need for enhancements. Since June 2013, FinCEN has worked with users through the DMC to address and prioritize suggested enhancements as discussed below.

#### *Improvements in Downloading and Searching Fields*

In our previous audit, users told us that FinCEN Query search results were challenging to sort in Microsoft Excel which made analysis difficult. We were told that certain data fields within BSA IT Mod could not be searched. During this audit, FinCEN provided regulators and law enforcement users the capability to customize FinCEN Query downloads for exporting into Microsoft Excel. FinCEN also added about 40 data fields to FinCEN Query search results and made additional data fields searchable.

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<sup>20</sup> The initial rollout of FinCEN Query to external users began September 2012.

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### *Agencies' Ability to Monitor or Limit Use of FinCEN Query*

In our previous audit, users told us that there was no mechanism to allow agency BSA IT Mod administrators to monitor staff use of FinCEN Query or to limit access to particular features to detect potential misuse and ensure that BSA data is safeguarded. During this audit, FinCEN officials told us that disseminating this information to user agencies was not part of the original business requirements for BSA IT Mod and that it was ultimately FinCEN's responsibility to monitor for potential misuse. In this regard, FinCEN has begun to develop its own inspection program to ensure the BSA data is not misused. FinCEN also agreed to provide one agency, IRS, with logs that detail its employees' use of FinCEN Query.<sup>21</sup> Regarding limiting access to particular features, such as to Suspicious Activity Reports, FinCEN officials told us that this feature was not built into BSA IT Mod's FinCEN Query because the system was not designed to operate in this manner as all BSA data is treated the same—not differentiated by form type.

While FinCEN has acknowledged its responsibility to monitor usage of FinCEN Query, and has begun to develop its own inspection program to monitor potential misuse, we believe that FinCEN should encourage the agencies to contact FinCEN if misuse of BSA data is suspected.

### **Risks to BSA IT Mod Continue**

Similarly to what we reported in September 2013, there is continued risk with the program's high-level of dependency between its component projects. FinCEN officials told us that this risk is an inherent risk in all IT programs and that they expect the risk to continue as programming changes in any component may affect and require programming changes to other components of the system. Not unexpectedly, FinCEN and MITRE officials told us that the loss of knowledge due to Deloitte's departure from its support of BSA IT Mod's operations and maintenance represents an additional risk to the ongoing system.<sup>22</sup>

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<sup>21</sup> BSA IT Mod includes an audit log of user activity on the system. FinCEN officials stated that FinCEN is responsible for maintaining the logs and monitoring BSA IT Mod system use.

<sup>22</sup> Deloitte provided operation and management and applications support as part of the BSA IT Mod 5-year contract that FinCEN awarded Deloitte in 2008. See appendix 2 for additional detail.

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**Finding 3****FinCEN Assumed More BSA IT Mod Oversight Responsibility**

In our September 2013 report, we reported that FinCEN maintained oversight of BSA IT Mod and that MITRE and Deloitte were providing less support to FinCEN's BSA IT Mod program management as the development effort moved into operations and maintenance. We also found Treasury OCIO's monitoring of the program was appropriate based on the overall positive track record by FinCEN managing the BSA IT Mod development effort. During our current audit, FinCEN's oversight responsibilities increased as contractors transitioned away from providing program support for the development effort to managing the integration of multiple contractors in the operations and maintenance phase. No change occurred in the level of program oversight by Treasury OCIO.

**FinCEN Oversight**

FinCEN took on more BSA IT Mod oversight responsibility during this audit period as MITRE transitioned away from providing routine program management and technical support as the program progressed from development to the operations and maintenance phase.

MITRE representatives told us that they had no concerns regarding its transition away from its support of FinCEN and that FinCEN staff had matured sufficiently in order to manage the program.

Deloitte discontinued providing FinCEN with BSA IT Mod program management support, as the task order for this service in its contract had expired and was awarded to a new contractor.<sup>23</sup> However, Deloitte will provide project status reports for the final project—the second phase of Release 2 of the Broker Information Exchange. Deloitte had no concerns over the transition of their responsibilities to the new contractor.

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<sup>23</sup> In September 2013, FinCEN awarded a new contract for BSA IT Mod program management support to Total Systems Technologies Corporation. See appendix 2 for additional information.



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## Treasury OCIO Oversight

In our previous audit, we found Treasury OCIO's monitoring of the program appropriate given the overall positive track record by FinCEN managing the BSA IT Mod development effort. During this audit, we found Treasury OCIO continued to monitor FinCEN monthly data submissions to identify potential issues and performed macro-level reviews including trend analysis. Treasury OCIO also conducted quarterly investment status meetings with FinCEN and still plans to conduct a post implementation review upon the program's completion. The post implementation review will evaluate whether the system works as originally planned.

Treasury OCIO officials told us that BSA IT Mod was performing well and that they were satisfied with the level and quality of the program data provided by FinCEN. They were also satisfied with FinCEN's management of the program.

As we reported in our previous audits of BSA IT Mod, the Treasury CIO is a member of both the BSA IT Mod Modernization Executive Group and Executive Steering Committee, which meets on a quarterly basis or when a major decision or approval is sought. In December 2013, Treasury CIO attended a Modernization Executive Group meeting in which members conditionally approved ending its BSA IT Mod governance in March 2014. Treasury OCIO officials expressed to us that they had no concerns over this action.

We believe that the oversight by FinCEN management and Treasury OCIO during this audit period was appropriate given the overall positive track record by FinCEN in managing its BSA IT Mod development effort.

## Recommendations

We recommend the FinCEN Director:

1. Continue to work with users to address user requests for training and enhancements.

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### Management Response

FinCEN uses the DMC as the forum to discuss the business impacts of system issues raised by users (which can include corrections, modifications, or enhancements to system capabilities, reports, and/or training). FinCEN will continue to use the DMC in this manner to inform the Investment Review Board as it prioritizes work efforts throughout operations and maintenance.<sup>24</sup>

### OIG Comment

The above commitment by FinCEN meets the intent of our recommendation.

2. Make agencies aware of the process to contact FinCEN if misuse of BSA data is suspected.

### Management Response

FinCEN plans to present the current process for investigating potential misuse of data to the DMC. Additionally, FinCEN will notify each agency coordinator that if misuse of BSA data is suspected, the coordinator should contact FinCEN. The planned completion date is April 2014.

### OIG Comment

The above commitment by FinCEN meets the intent of our recommendation.

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<sup>24</sup> FinCEN's Investment Review Board is an executive level body responsible for overseeing major IT investments such as BSA IT Mod.

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We appreciate the cooperation and courtesies extended to our staff during the audit. If you wish to discuss the report, you may contact me at (617) 223-8638 or Mark Ossinger, Audit Manager, at (617) 223-8643. Major contributors to this report are listed in appendix 5.

/s/  
Sharon Torosian  
Audit Director

Pursuant to a Congressional directive, this is the fifth in a series of audits of the Financial Crimes Enforcement Network's (FinCEN) Bank Secrecy Act (BSA) Information Technology Modernization Program (BSA IT Mod).<sup>25</sup> Our objective was to determine if FinCEN is (1) meeting cost, schedule, and performance benchmarks for this program and (2) providing appropriate oversight of contractors. In addition, we evaluated any deviations from FinCEN's plan. We determined the status of the program's cost, schedule, and performance through December 31, 2013.

To accomplish our objective, we interviewed officials with FinCEN, Department of the Treasury's Office of the Chief Information Officer (OCIO), and FinCEN's contractors. In addition, we reviewed applicable program documentation including the 2013 FinCEN Portal and FinCEN Query Performance Measure Survey. We performed our fieldwork from November 2013 through January 2014.

At FinCEN, we interviewed:

- The Chief Information Officer (CIO), Chief Technology Officer (CTO), and BSA IT Mod Program Manager to obtain an update on BSA IT Mod, cost and schedule concerns, project testing conducted and defect resolution, strategies employed, and overall progress of the program.
- The project managers, project leaders, and contracting officer's representatives to obtain an understanding of their perspective, level of involvement, schedule and performance concerns, and overall progress of their respective projects.
- The contracting officer's representative for the 2013 FinCEN Portal and FinCEN Query Performance Measure Survey to gain an understanding of the results, scope, and methodology used for the survey.

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<sup>25</sup> House Report (H. Rept.) 112-331.

External to FinCEN, we interviewed the following officials:

- Deloitte LLP's Managing Director and Deloitte's Program Manager for BSA IT Mod to obtain an update on their perspective of BSA IT Mod and ascertain the program's status. These interviews were conducted at the contractor's office in Rosslyn, Virginia.
- MITRE Corporation (MITRE) representatives to obtain an update of MITRE's role as the federally funded research and development contractor, its level of involvement with the program, as well as issues, concerns, and other significant matters observed. These interviews were conducted at MITRE's office in McLean, Virginia.
- The Treasury OCIO's Director of IT Capital Planning for an update on OCIO's role in overseeing BSA IT Mod, as well as issues, concerns, and other significant matters.
- CFI Group Program Director to obtain additional information on the 2013 FinCEN Portal and FinCEN Query Performance Measure Survey to gain an understanding of the results, scope, and methodology used for the survey.

We reviewed FinCEN program-related information, including: management reports; minutes from executive, management, and technical meetings; planning documentation; program and project level documentation; and FinCEN presentations to internal and external oversight groups (e.g., Congress, Office of Management and Budget, Treasury OCIO, BSA IT Mod Modernization Executive Group and Executive Steering Committee, and FinCEN management).

We reviewed the final report and the raw data for a FinCEN-commissioned 2013 FinCEN Portal and FinCEN Query Performance Measure Survey. We reviewed the raw data to provide a reasonable assurance of the validity of results reported by the vendor. We also reviewed the narrative responses to the survey's open-ended questions to assess the user's satisfaction with the BSA IT Mod and any potential performance issues with the program. We paid particular attention to the survey responses from

various Department of Justice (DOJ) component agencies as our attempt to obtain their feedback during our previous audit could not be coordinated.<sup>26</sup>

To substantiate that performance testing had occurred on BSA IT Mod, we interviewed FinCEN officials involved with BSA IT Mod government acceptance testing and reviewed testing-related documentation, including testing plans and status reports. We determined that any testing defects and issues identified during testing were recorded in FinCEN's project management and issues tracking system.

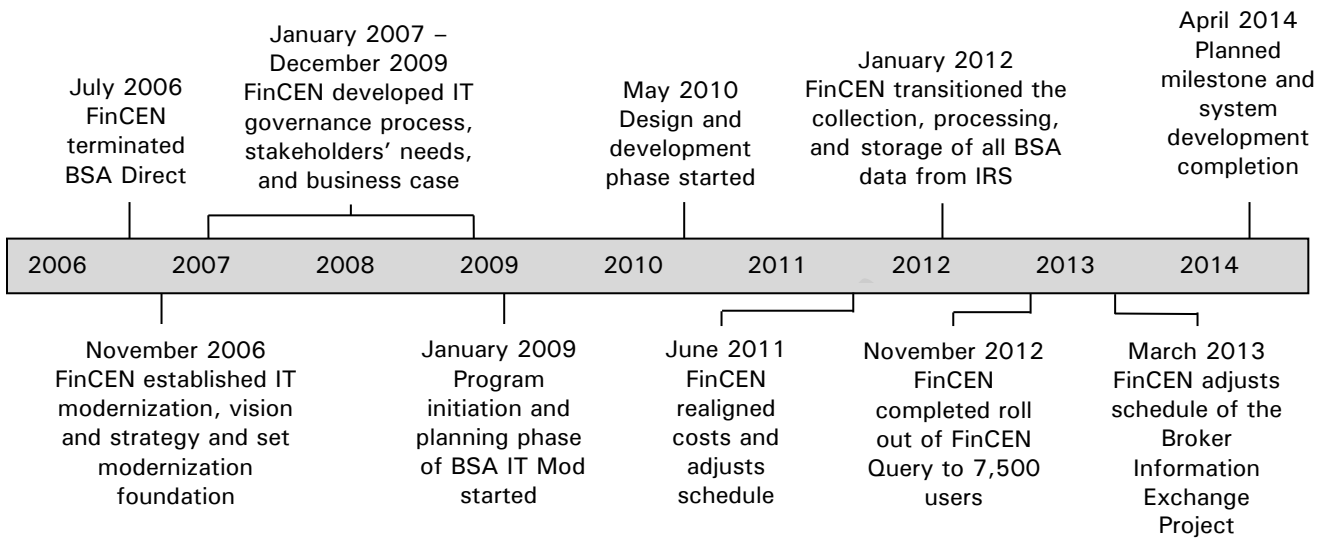
We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>26</sup> In our previous audit, we attempted to obtain DOJ feedback from BSA IT Mod users within its various components agencies; however, user interviews could not be coordinated in time for the audit. In this audit, we determined that the DOJ comprised 19 percent of the survey respondents, which we believe captured the DOJ BSA IT Mod users' experiences and opinions with BSA IT Mod; accordingly, we did not interview DOJ users as part of this audit. We plan to contact DOJ users to obtain their feedback as part of our next audit of BSA IT Mod.

FinCEN’s efforts to establish a system to manage and house BSA data has been an extensive process. Planning of the BSA IT Mod program began after an earlier attempt to establish a similar program failed.<sup>27</sup> Figure 1 provides a timeline of significant events in the BSA IT Mod program.

**Figure 1. Timeline of Significant Events in FinCEN’s BSA System Modernization Efforts**



Source: OIG review of FinCEN data.

### Projects Included

BSA IT Mod is made up of multiple projects with specific components. The projects are summarized below. All projects except for the Broker Information Exchange were completed as of December 31, 2013.

<sup>27</sup> FinCEN terminated BSA Direct Retrieval and Sharing after concluding the project had no guarantee of success. We reviewed that failure and found that FinCEN poorly managed the predecessor project, insufficiently defined functional and user requirements, misjudged project complexity, and established an unrealistic completion date. We also found that the Treasury OCIO did not actively oversee the project, as required by the Clinger-Cohen Act of 1996. Treasury Office of Inspector General (OIG), *The Failed and Costly BSA Direct R&S System Development Effort Provides Important Lessons for FinCEN’s BSA Modernization Program* (OIG-11-057: Jan. 5, 2011).

- System of Record (SOR) provides data storage and architecture for BSA data for 11 years of BSA data.
- Shared Filing Services provides for validation of BSA data with external data sources, such as validation of addresses to U.S. Postal Service data.
- Third Party Data provides the SOR additional BSA data through external data sources such as the financial institution identification number assigned by the Federal Reserve.
- Bulk Data Dissemination is used for the distribution of large quantities of BSA data to external users.
- Data Conversion converted 11 years of BSA data from an Internal Revenue Service legacy system to the FinCEN's new SOR.
- BSA E-Filing is used by BSA filers to submit all required electronic filing of BSA forms to FinCEN.
- FinCEN Query is a tool designed to improve authorized users' ability to access and analyze BSA data. The tool is used by FinCEN internal users and by registered external users and customers to retrieve and analyze BSA data. The tool supports traditional structured BSA data queries, and provides narrative search capabilities and options to coordinate and collaborate with users on queries performed.
- Advanced Analytics provides complex search and retrieval functionality for FinCEN internal users to support their analytical, law enforcement, and regulatory activities. The tool provides advanced analytical capabilities such as geospatial, statistical analysis, social networking, semantic interchange, and visualization capabilities.
- Register User Portal/Identity Management/Access Control Management provides the means for common user



interface and authentication process through which both internal and external authorized users gain access to all future BSA IT Mod applications.

- Infrastructure provides the design, development, procurement, and implementation of the development and test environments, storage area network(s), and disaster recovery capabilities required to support BSA IT Mod projects.
- Broker Information Exchange provides the Financial Intelligence Repository, which includes 314A and 314B components. The Financial Intelligence Repository project is to replace FinCEN's case management systems—FinDB for investigative cases, and the Customer Management System for compliance cases. The first release of the Financial Intelligence Repository project is to create the Financial Intelligence Repository and incorporates SharePoint (a Microsoft software application for sharing information) as a mechanism to share case information for both internal and external users. The 314A component allows law enforcement agencies to submit requests through FinCEN to financial institutions for information about financial accounts and transactions of persons or businesses that may be involved in terrorism or money laundering. The 314B component allows financial institutions to share information with one another through FinCEN to identify and report suspicious money laundering or terrorist activities to the federal government. 314A and 314B refer to Section 314 of the USA Patriot Act that requires FinCEN of establish these functionalities.<sup>28</sup> The project is ongoing as of December 2013.
- Alerts provides for an automatic alert to be sent to FinCEN analysts about suspicious activities reported by filers based on pre-defined criteria.

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<sup>28</sup> Section 314 of the USA Patriot Act is established under 31 U.S.C. § 5311.

### **Contractors Engaged by FinCEN**

In March 2008, FinCEN awarded a 5-year indefinite delivery, indefinite quantity (IDIQ) contract to BearingPoint, Inc., to support a full range of information technology services, custom applications, maintenance support, and infrastructure support necessary to implement the FinCEN IT operational objectives. Numerous task orders have been issued against the contract including those for the BSA IT Mod program.<sup>29</sup> The contract was subsequently transferred to Deloitte Consulting, LLP (Deloitte).<sup>30</sup> The contract ceiling is a maximum of \$144 million and a minimum of \$1 million over the contract's 5-year life. FinCEN also contracted with MITRE Corporation (MITRE) at a cost of approximately \$2.1 million to provide management guidance, coordination, and evaluation support for BSA IT Mod.<sup>31</sup> MITRE is a subject matter expert on program and project management, and BSA IT Mod business capabilities.

FinCEN is using the Treasury's Bureau of the Fiscal Service Administrative Resource Center for new contracting services related to BSA IT Mod. FinCEN had previously used the Acquisitions Services Directorate of the U.S. Department of

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<sup>29</sup> An IDIQ contract provides for an indefinite quantity of services during a fixed period of time. This type of contract is used when it cannot be predetermined, above a specified minimum, the precise quantities of supplies or services that the government will require during the contract period. IDIQ contracts are most often used for service contracts and architect-engineering services. An IDIQ contract is flexible, especially when not all the requirements are known at the start of a contract and is conducive to a modular approach, which would be one with phases or milestones.

<sup>30</sup> The IDIQ contract was transferred from BearingPoint, Inc. to Deloitte on October 1, 2009 after Deloitte purchased substantially all of the assets of Bearing Point, Inc., Public Service Division.

<sup>31</sup> MITRE is a not-for-profit organization chartered to work in the public interest with expertise in systems engineering, information technology, operational concepts, and enterprise modernization. Among other things, it manages federally funded research and development centers, including one for IRS and U.S. Department of Veterans Affairs (the Center for Enterprise Modernization). Under Treasury's existing contract with MITRE, Treasury and its bureaus, with permission of the IRS sponsor, may contract for support, and to facilitate the modernization of systems and their business and technical operation, the following task areas: strategic management, technical management, program and project management, procurement, and evaluation and audit.

the Interior as the contract office to administer the contract. FinCEN chose this office because of its prior experience handling large, complex procurements.

FinCEN officials told us that Deloitte's 5-year IDIQ contract ended in March 2013; however, the Acquisitions Services Directorate allowed a 6-month extension to September 2013 and allowed FinCEN to extend various task orders under the IDIQ contract. As of December 31, 2013, FinCEN officials stated that Deloitte still had one task order in place to complete development of the Broker Information Exchange, which had been extended until the end of April 2014.

During this audit period, FinCEN awarded new BSA IT Mod contracts using the Administrative Resource Center as the contracting agency.

- In August 2013, a new contract for BSA IT Mod network support was awarded to NavStar, as a 2.5-year firm fixed contract. The contract awards \$2.064 million in the six month base year and has a contract ceiling of \$9.3 million. Deloitte's task order under its IDIQ contract for network support ended at the end of September 2013.
- In September 2013, a new contract for BSA IT Mod program management support was awarded to Total Systems Technologies Corporation, as a 3-year, firm fixed price contract. The contract award was for \$750,761 in the base year with a total contract ceiling of \$2.279 million. Deloitte continued its support program management during the transition until the expiration of Deloitte's contract at the end of December.
- In November 2013, a new contract for operations and maintenance was awarded to Northrup Grumman. It is a 6-month contract with three 1-year extensions with a total value of \$22,823,940.

Appendix 3  
BSA IT Mod Project Schedule Status

As of December 31, 2013, all BSA IT Mod component projects are completed except for the second phase of Release 2 of the Broker Information Exchange project. Table 1 displays the status of BSA IT Mod by project.

**Table 1. BSA IT Mod Project Schedule Status as of December 31, 2013**

<b>Project</b>	<b>Planned Completion Date at May 2010<sup>1</sup></b>	<b>Revised Planned Completion Date at June 2011<sup>2</sup></b>	<b>Actual or Planned Completion Date at December 2013<sup>3</sup></b>	<b>Project Status at December 2013</b>
SOR				
Release 1	9/30/2011	12/1/2011	12/15/2011	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete
Shared Filing Services				
Release 1	9/30/2011	12/1/2011	12/15/2011	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete
Third Party Data				
Release 1	9/30/2011	12/1/2011	12/15/2011	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete
Data Conversion	12/31/2011	1/1/2012	1/6/2012	Complete
E-Filing				
Release 1	6/30/2011	7/1/2011	7/1/2011	Complete
Release 2	10/31/2011	7/1/2012	7/31/2012	Complete
FinCEN Query				
Release 1	2/28/2012	6/1/2012	7/20/2012	Complete
Release 2	9/30/2012	10/1/2012	11/16/2012	Complete
Advanced Analytics				
Release 1	10/31/2010	10/31/2010	10/31/2010	Complete
Release 2	4/30/2011	4/30/2011	4/30/2011	Complete
Release 3	7/31/2012	9/1/2012	8/1/2012	Complete
SCIF <sup>4</sup>	n/a	12/1/2012	11/9/2012	Complete
Register User Portal	3/31/2011	3/31/2011	3/31/2011	Complete
Identity/Access Control Management	3/31/2011	3/31/2011	3/31/2011	Complete
Broker Information Exchange				
314A,B Release 1	5/31/2011	5/31/2011	5/31/2011	Complete
314A,B Release 2 Phase 1	12/31/2012	4/1/2013	9/20/2013 <sup>5</sup>	Complete
314A,B Release 2 Phase 2 <sup>6</sup>	n/a	n/a	4/1/2014 <sup>5</sup>	Ongoing
Alerts	9/30/2012	1/1/2013	1/4/2013	Complete
Bulk Data Dissemination				
Release 1	9/30/2011	3/1/2012	4/17/2012	Complete
Release 2	6/30/2012	7/1/2012	10/16/2012	Complete

Appendix 3  
BSA IT Mod Project Schedule Status

**Table 1. BSA IT Mod Project Schedule Status as of December 31, 2013**

<b>Project</b>	<b>Planned Completion Date at May 2010<sup>1</sup></b>	<b>Revised Planned Completion Date at June 2011<sup>2</sup></b>	<b>Actual or Planned Completion Date at December 2013<sup>3</sup></b>	<b>Project Status at December 2013</b>
Infrastructure & Portal Security				
Develop and Test	9/30/2010	9/30/2010	9/30/2010	Complete
Release 1	3/31/2011	3/31/2011	3/31/2011	Complete
Release 2	9/30/2011	9/30/2011	9/30/2011	Complete
Release 3	6/30/2012	n/a <sup>7</sup>	n/a <sup>7</sup>	n/a <sup>7</sup>

Source: OIG analysis of FinCEN documentation.

<sup>1</sup> The dates displayed were the initial planned completion dates when in May 2010, FinCEN began the design and development of projects after receiving Office of Management and Budget approval.

<sup>2</sup> FinCEN submitted a baseline change request to the Treasury CIO to adjust selected project milestone schedule dates and realign costs to keep the overall program on track. The baseline change was implemented in June 2011.

<sup>3</sup> Dates represent the actual completion dates if the project was completed, or the planned completion date as of the cutoff date of our review (December 31, 2013).

<sup>4</sup> A sensitive compartmented information facility (SCIF) has formal access controls and is used to hold information concerning or derived from intelligence sources, methods, or analytical processes. FinCEN plans to provide its SCIF with advanced analytics capability, which was not part of the May 2010 initial plan but was part of the June 2011 baseline change request.

<sup>5</sup> A baseline change was implemented in March 2013 which adjusted the schedule completion dates.

<sup>6</sup> Initially, Release 2 of the project was planned as one phase.

<sup>7</sup> Not applicable - The work planned for Infrastructure release 3 was removed from the project and will be done as part of BSA IT Mod's on-going operations and maintenance.

Appendix 4  
Management Response



DEPARTMENT OF THE TREASURY  
FINANCIAL CRIMES ENFORCEMENT NETWORK

March 19, 2014

**MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FREEDMAN**

**FROM:** Jennifer Shasky Calvery /s/  
**SUBJECT:** *Management Response to the Draft Report—FinCEN's BSA IT Modernization is on Budget, on Schedule, and Close to Completion*

Thank you for the opportunity to review the Office of Inspector General (OIG) draft audit report on the bureau's BSA IT Modernization Program. Once again, I appreciate the OIG's recognition that the program is within budget and on schedule, and that appropriate oversight continues.

Over the next several months, FinCEN will finalize the remaining development portion of the Program and fully transition into the operations and maintenance phase. We are committed to continuing our work with the Data Management Council to review and prioritize all system issues as they arise, and balance the needs of our multiple stakeholders as they continue to evolve.

The attachment outlines our response to the two audit recommendations. If you have any questions or need additional information, please contact Becky Martin, Assistant Director, Office of Financial Management, on 703-905-3860.

Attachment

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

**Attachment: FinCEN Planned Corrective Actions**

**1. Continue to work with users to address user requests for training and enhancements.**

FinCEN Response: Concur. FinCEN uses the Data Management Council (DMC) as the forum to discuss the business impacts of system issues raised by users (which can include corrections, modifications, or enhancements to system capabilities, reports and/or training). FinCEN will continue to use the DMC in this manner to inform the Investment Review Board as it prioritizes work efforts throughout operations and maintenance.

Status: Closed

**2. Make agencies aware of the process to contact FinCEN if misuse of BSA data is suspected.**

FinCEN Response: Concur. FinCEN plans to present the current process for investigating potential misuse of data to the DMC. Additionally, FinCEN will notify each agency coordinator that if misuse of BSA data is suspected, the coordinator should contact FinCEN to ensure a review of the situation has been identified.

Status: Open. Estimated completion date April 2014.

**Boston Office**

Mark Ossinger, Audit Manager  
Kenneth O'Loughlin, Audit Manager  
Richard Wood, Auditor

**Washington, D.C.**

Larissa Klimpel, Referencer



**Department of the Treasury**

Deputy Secretary  
Under Secretary for Terrorism and Financial Intelligence  
Chief Information Officer  
Office of Strategic Planning and Performance Management  
Office of the Deputy Chief Financial Officer, Risk and Control  
Group

**Financial Crimes Enforcement Network**

Director

**Office of Management and Budget**

OIG Budget Examiner

**U.S. Senate**

Chairman and Ranking Member  
Committee on Appropriations

Chairman and Ranking Member  
Subcommittee on Financial Services and General Government  
Committee on Appropriations

**U.S. House of Representatives**

Chairman and Ranking Member  
Committee on Appropriations

Chairman and Ranking Member  
Subcommittee on Financial Services and General Government  
Committee on Appropriations