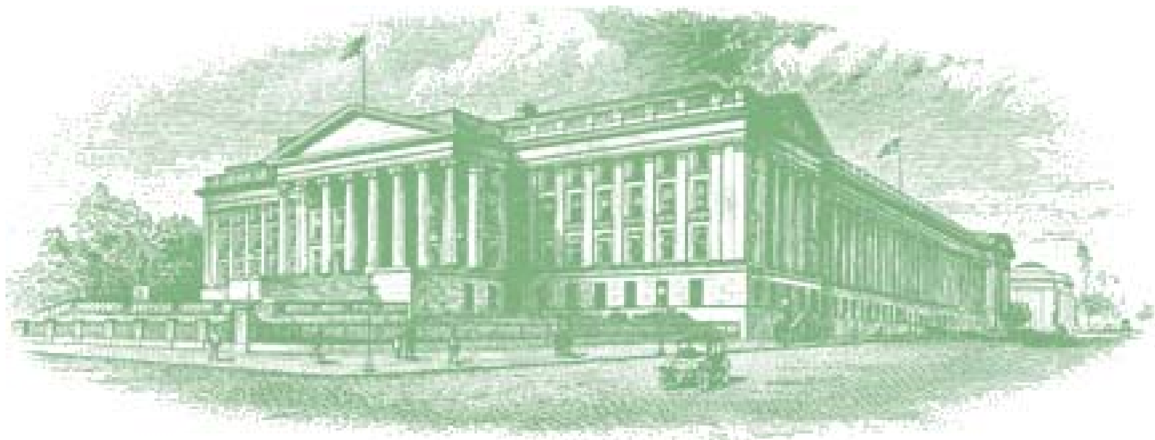
Audit Report



OIG-08-023

Audit of the Financial Crimes Enforcement Network's Fiscal Years 2007 and 2006 Financial Statements

December 14, 2007

Office of Inspector General

Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 14, 2007

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

FROM: Michael Fitzgerald /s/
Director, Financial Audits

SUBJECT: Audit of the Financial Crimes Enforcement Network's Fiscal Years 2007 and 2006 Financial Statements

I am pleased to transmit the attached audited Financial Crimes Enforcement Network's (FinCEN) financial statements for fiscal years 2007 and 2006. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of the financial statements of FinCEN as of September 30, 2007 and 2006 and for the years then ended. The contract required that the audit 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;* and the *GAO/PCIE Financial Audit Manual*.

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

- Independent Auditors' Report;
- Independent Auditors' Report on Internal Control; and
- Independent Auditors' Report on Compliance and Other Matters.

In its audit, KPMG LLP found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. However, KPMG LLP's Report on Internal Control contained the following material weakness:

- Improvements are Needed in the Supervisory Review Performed over Calculation of Expenses and Revenues for the Statement of Net Cost

KPMG LLP found no instances of reportable noncompliance with laws and regulations tested.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit 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. KPMG LLP is responsible for the attached auditors' reports dated November 30, 2007 and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP 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, Audit Manager, Financial Audits at (202) 927-5329.

Attachment

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the U.S. Department of the Treasury – Financial Crimes Enforcement Network (FinCEN) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, budgetary resources and custodial activity (hereinafter referred to as "financial statements") for the years 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 audits.

We conducted our audits 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 Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FinCEN's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the U.S. Department of the Treasury – Financial Crimes Enforcement Network as of September 30, 2007 and 2006, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 15 to the financial statements, FinCEN changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007.

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 U.S. generally accepted accounting principles and OMB Circular No. 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 November 30, 2007, on our consideration of FinCEN's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those 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 assessing the results of our audits.

KPMG LLP

November 30, 2007

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control

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

We have audited the balance sheets of the U.S. Department of the Treasury – Financial Crimes Enforcement Network (FinCEN) as of September 30, 2007 and 2006 and the related statements of net cost, changes in net position, budgetary resources and custodial activity (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 30, 2007. As discussed in Note 15 to the financial statements, FinCEN changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007.

We conducted our audits 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 Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of FinCEN is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2007 audit, we considered FinCEN's internal control over financial reporting by obtaining an understanding of the design effectiveness of FinCEN's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing 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 *Government Auditing Standards* and OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of FinCEN's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of FinCEN's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects FinCEN's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of FinCEN's financial statements that is more than inconsequential will not be prevented or detected by FinCEN's internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by FinCEN's internal control.

In our fiscal year 2007 audit, we consider the deficiency, described in Exhibit I, to be a significant deficiency in internal control over financial reporting, and we believe that finding is a material weakness.

INTERNAL CONTROL OVER PERFORMANCE MEASURES

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures in accordance with OMB Bulletin No. 07-04. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon. In our fiscal year 2007 audit, we noted no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

FinCEN's response to the finding identified in our audit is presented in Exhibit I. We did not audit FinCEN's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of FinCEN's management, the U.S. Department of the Treasury Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 30, 2007

EXHIBIT I

MATERIAL WEAKNESS

IMPROVEMENTS ARE NEEDED IN THE SUPERVISORY REVIEW PERFORMED OVER CALCULATION OF EXPENSES AND REVENUES FOR THE STATEMENT OF NET COST

The Financial Crimes Enforcement Network (FinCEN) has a manual process for allocating revenues and expenses by its strategic goals in the statement of net cost (SNC). Embedded in the accounting string of revenue and expense transactions are fund codes, cost centers, project codes, etc. In order to produce the SNC by the four FinCEN strategic goals, FinCEN summarizes all expenses by cost center and fund. Certain cost centers map directly to specific goals, while others are allocated out. Cost centers that require an allocation to the different strategic goals are first summarized by project codes, as certain projects map directly to strategic goals. The remaining costs that are not directly traceable to a strategic goal are allocated across the four goals by the percentage of full time equivalent (FTE) employees assigned to each program.

During the course of our SNC test work, we noted that the percentages used to apply the expenses and revenues not directly traceable to a strategic goal were from FY 2006, and not as of September 30, 2007. As a result, FinCEN had to reissue its financial statements after correcting strategic goals one, two, three and four by approximately $1.6 million, $3.4 million, $1.4 million and $3.6 million in expenses, respectively and $21 thousand, $45 thousand, $19 thousand and $47 thousand in revenues, respectively. This error was not detected by FinCEN due to insufficient supervisory review of financial statements and accompanying supporting documentation.

OMB Circular No. A-123, *Management Responsibility for Internal Control*, states that: Management is responsible for developing and maintaining effective internal control. Effective internal control provides assurance that significant weaknesses in the design or operation of internal control, that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner. Monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of the regular assigned duties of personnel. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations. If an effective continuous monitoring program is in place, it can level the resources needed to maintain effective internal controls throughout the year.

Recommendation:

We recommend that FinCEN improve its review procedures over the financial statements preparation. Improvements should include:

- Implementing procedures to ensure accurate percentages are used in allocating expenses and revenues on the SNC.
- Adequate supervisory review of the final allocations performed over the SNC and the related footnote disclosures before issuing financial statements.

Management Response:

FinCEN agrees with the finding and believes that this was a one time occurrence that was a deviation from its standard processing procedures. FinCEN has developed a corrective action plan to address this issue as outlined below:

- FinCEN will follow its current procedure of calculating the percentages to apply to the statement of net cost for presentation by FinCEN's strategic goals and then submitting those percentages to BPD/ARC for preparation of the statement of net cost and Note 11 Intragovernmental Costs and Exchange Revenue. Upon update, FinCEN will review and recalculate to ensure the percentages have been correctly applied.
- FinCEN has established a procedure to reconcile and verify the amounts by its strategic goals to the detail supporting those amounts. FinCEN will also compare the current allocations to those of the previous year to ensure reasonableness and investigate material variances.
- FinCEN will ensure a two tier review of all statements and footnotes prior to issuing the statements and footnotes to independent auditors and other relevant entities.

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

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

We have audited the balance sheets of the U.S. Department of the Treasury – Financial Crimes Enforcement Network (FinCEN) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, budgetary resources and custodial activity (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 30, 2007. As discussed in Note 15 to the financial statements, FinCEN changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007.

We conducted our audits 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 Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of FinCEN is responsible for complying with laws, regulations and contracts applicable to FinCEN. As part of obtaining reasonable assurance about whether FinCEN's financial statements are free of material misstatement, we performed tests of FinCEN's compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including certain provisions referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA). 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, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

Under OMB Bulletin No. 07-04 and 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 of FFMIA 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 FinCEN's management, the U.S. Department of the Treasury Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 30, 2007

Department of the Treasury
Financial Crimes Enforcement Network

Management Discussion and Analysis
September 30, 2007

The Financial Crimes Enforcement Network (FinCEN), a bureau within Treasury's Office of Terrorism and Financial Intelligence, plays a key role in supporting the Department's strategic goal of 'Prevented Terrorism and Promoted the Nation's Security Through Strengthened International 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 on certain types of financial activity and to establish appropriate internal controls to guard against money laundering, terrorist financing, and other types of illicit finance. These reports have a high degree of usefulness in criminal, tax, and regulatory matters. The 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 money laundering whether it is in furtherance of a criminal enterprise, terrorism, tax evasion or other unlawful activity. FinCEN also serves as the nation's financial intelligence unit (FIU). An FIU serves as a national center set up to collect, analyze, disseminate, and exchange information pursuant to a country's anti-money laundering/counter-terrorist financing legislation and regulations. This includes information about suspicious or unusual financial activity reported by the financial sector.

FinCEN fulfills its mission, goals and priorities by: administering the BSA; supporting policy makers, law enforcement, regulatory, and intelligence agencies through sharing and analysis of financial intelligence; enhancing international anti-money laundering and counter-terrorist financing efforts and cooperation; and networking people, entities, ideas, and information. FinCEN's activities and efforts are developed in close coordination with other federal agencies, such as through the 2007 National Money Laundering Strategy, which sets forth interagency priorities for the coming years.

For FY 2007, FinCEN reported under the strategic goals in its current strategic plan. Treasury reported FinCEN's FY 2007 results under its new strategic plan. FinCEN's FY 2007 strategic goals are as follow:

- Protect the financial system;
- Combat terrorism, money laundering and other financial crimes;
- Intensify international anti-money laundering collaboration; and
- Facilitate compliance, data management and information sharing through e-Government.

FinCEN's strategic goals for FY 2008 are listed under the Future Outlook section of this report.

FY 2007 Accomplishments

Some FY 2007 accomplishments in the regulatory area were:

- Published final and amended BSA regulations, these include: Amendment to the Bank Secrecy Act Regulations-Imposition of Special Measure Against Banco Delta Asia, Including Its Subsidiaries Delta Asia Credit Limited and Delta Insurance Limited, as a Financial Institution of Primary Money Laundering Concern (March 2007); Amendments to the Bank Secrecy Act Regulations Regarding Casino Recordkeeping and Reporting Requirements (June 2007); Anti-Money Laundering Programs-Special Due Diligence Programs for Certain Foreign Accounts (August 2007);
- Published additional BSA guidance to financial institutions to improve consistency in the interpretation and application of BSA regulations, and reduce misperception of excessive regulatory expectations. Specific guidance included: Guidance (Frequently Asked Questions) – Suspicious Activity Reporting Requirements for Mutual Funds (October 2006); Advisory – Potential Money Laundering Risks related to Shell Company (November 2006); Guidance (Frequently Asked Questions) – Customer Identification Programs and Banks Serving as Insurance Agents (December 2006); Guidance – Application of the Customer Identification Program Rule to Future Commission Merchants Operating as Executing and Clearing Brokers in Give-Up Arrangements (April 2007); Guidance – Requests by Law Enforcement for Financial Institutions to Maintain Accounts (June 2007); Guidance – Suspicious Activity Report Supporting Documentation (June 2007);
- Delivered complex analytical studies targeted to regulatory authorities from each of the 43 state regulators with which FinCEN has entered into a memoranda of understanding to exchange information;
- Developed and provided reports on mortgage loan fraud, money laundering through the commercial real estate sector, and shell companies to assist in the promulgation of guidance to financial institutions and regulatory examiners about vulnerabilities and associated compliance obligations;
- Participated as a speaker/panelist in 99 domestic and overseas outreach events;
- Enhanced outreach activities to the money services business (MSB) industry by using information from law enforcement partners that encounter potential unregistered MSBs to focus FinCEN's education initiatives;
- Translated MSB brochures into seven different languages;
- Developed a strategy in conjunction with the Internal Revenue Service (IRS) to focus resources for ensuring BSA compliance by non-bank financial institutions;
- Implemented an action plan to address concerns among domestic and international policymakers, law enforcement, and financial institutions about the misuses of various types of business entities (e.g., corporations, limited liability companies, limited partnerships, trusts, etc.) to facilitate money laundering and other financial crimes; and
- Assessed civil money penalties against financial institutions for willful violations of BSA requirements, including through joint or concurrent actions with federal and state agencies.

- Contributed to the revisions of the Federal Financial Institutions Examination Council (FFIEC) BSA/AML examination manual, which helps ensure consistent application by federal and state supervisors of their regulatory authority.

Some FY 2007 accomplishments related to analytic efforts were:

- Enhanced support to law enforcement agencies by focusing on actionable analyses targeted at high-priority money laundering and terrorist financing targets;
- Collaborated on analytical projects with key federal law enforcement customers, such as the FBI's Terrorist Financing Operations Section, the Drug Enforcement Administration, Customs and Border Protection's Tactical Analysis Group, Immigration and Customs Enforcement's Financial and Trade Division, and other analytical agencies like the National Drug Intelligence Center;
- Published a technical reference guide for law enforcement officials on MSBs to describe traditional types of remittances and services, as well as emerging services such as online payments and prepaid card services;
- Collaborated with other FIUs in the Egmont Group to improve understanding of how emerging payments methods, such as internet-based payment methods, might be exploited for illicit activity;
- Completed collaborative efforts with other FIUs, law enforcement agencies, and the intelligence community to take full advantage of financial intelligence sources and resources;
- Worked with Egmont Group partners to develop actionable intelligence concerning illicit money flows across the northern and southwestern borders of the U.S.;
- Provided greater and more sustained technical assistance and training to Egmont Group candidates under FinCEN's sponsorship and to Egmont members whose organizational capabilities have been strained by growing needs to collect and analyze financial intelligence and to build the information technology infrastructure for these activities; and
- Supported the establishment of a permanent Egmont Group Secretariat with the appointment of the Executive Secretary and opening of a permanent office in Toronto July 3, 2007.

Some FY 2007 accomplishments related to the management, use, and accessibility of BSA information were:

- Expanded access to BSA information to enable authorized law enforcement and regulatory users to quickly and efficiently query the data when needed;
- Conducted a feasibility analysis with the financial services industry and law enforcement to determine the benefits and costs to all affected parties as a part of a Congressionally mandated study of the feasibility of implementing a cross-border electronic funds transfer reporting requirement;
- Established a formal Data Issue Management process and framework and Data Management Council, including representatives from FinCEN and the IRS, to address BSA data quality issues in a consistent and repeatable fashion;
- Maintained the focus on promoting electronic filing of BSA reports as a way to enhance speed, economy, and data quality;

- Deployed disaster recovery capability for the BSA E-Filing system to ensure continuity of system operations for stakeholders in the event of a major outage;
- Launched FinCEN's first enterprise-wide business transformation and IT modernization program, based on an effective collaboration of BSA stakeholders and a rigorous program management framework; and
- Established a new Program Management Office (PMO), which will create a disciplined environment in which proven project management principles, tools, and techniques will be consistently applied across the bureau's major information technology initiatives to identify, manage, and mitigate risks.

FY 2007 Performance Measure Results

Summary of Performance Measures

Performance Measures	FY 2006 Actual	FY 2007 Target	FY 2007 Actual
Number of federal and state regulatory agencies with which FinCEN has concluded memoranda of understanding/information sharing agreements	48	50	50
Percentage of Regulatory Resource Center customers rating the guidance received as understandable	94%	90%	91%
Average time to process enforcement matters (years)	1.0	1.0	1.1
Percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule.	N/A	Establish Baseline	5.2%
Percentage of customers finding FinCEN's analytic support highly valuable	77%	78%	82%
Percentage of customers satisfied with BSA E-Filing	92%	90%	94%

FinCEN continues to increase compliance activities to monitor financial institutions examined for BSA compliance by state and federal regulators through entering into memoranda of understanding (MOU) to exchange information. In 2007, FinCEN executed two additional such agreements and has met its FY 2007 target of 50. MOUs help ensure effective application of the BSA regulations across all regulated financial service industries by providing a solid foundation for FinCEN to improve upon its ability to monitor industry compliance by providing vital data on various industry sectors.

FinCEN conducted a survey of the Regulatory Resource Center customers asking them to rate regulatory guidance received as understandable and met its target with 91 percent satisfied. The target was to maintain at least a 90 percent level. Providing understandable guidance to financial institutions is critical to their establishing anti-money laundering programs that comply appropriately with the BSA.

FinCEN works closely with its regulatory partners to take enforcement action against institutions that systemically and egregiously violate the provisions of the BSA, including through imposition of civil monetary penalties in appropriate matters. Timely enforcement action communicates urgency to financial institutions, and is paramount to deterring non-compliance. In FY 2007, FinCEN experienced a slight increase in the average processing time, exceeding the 1.0 year average by 21 days, resulting in an average of 1.1 years. This was the result of two enforcement cases that closed in the fourth quarter of FY 2007 after abnormally long periods of time. Each of those enforcement actions was taken on a joint/concurrent basis with both the Department of Justice and the respective financial supervisor(s), which also had to complete their respective investigations. Moreover, the process of coordination with other interested government authorities, which itself is a Departmental priority, will often require longer time periods than unilateral actions. As such, the time periods of these two cases were outliers, and FinCEN will reconsider in the future whether the processing time target is appropriate for joint enforcement actions, as the timing of the announcement of these will not necessarily reflect when FinCEN has completed its enforcement review.

As part of the 2006 Program Assessment Rating Tool (PART) process, FinCEN established a measure for the percentage of bank examinations conducted by the Federal Banking Agencies indicating a systemic failure of the anti-money laundering program rule and established an FY 2007 baseline of 5.2%. Due to a three month time lag in data availability, this result is based on three quarters of FY 2007 data. This measure provides an assessment of the effectiveness of FinCEN's efforts in providing policy guidance and taking formal and informal compliance and enforcement actions to increase depository institution compliance with the BSA.

FinCEN supports law enforcement and its regulatory industry partners by facilitating information sharing and providing analyses of BSA information and measures the percentage of customers finding FinCEN's analytic reports highly valuable. FinCEN has revised this measure as a result of the FY 2006 PART process to more accurately target its disparate audiences as well as its different products. The reformulated measure more closely ties to how BSA information is used by law enforcement, regulators and international partners to identify, investigate, and prevent abuse of the financial system. In FY 2007 FinCEN surpassed its target of 78 percent with 82 percent of its customers finding the analytic products highly valuable.

FinCEN conducted a survey of the users of the BSA E-Filing system to determine the overall satisfaction level and to identify where improvements are needed. FinCEN met its target with 94 percent of respondents satisfied. The FY 2007 target was to maintain at a least 90 percent satisfaction level. The information and the technology used to facilitate analysis are at the core of FinCEN's mission to deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.

Future Outlook

FinCEN's future plans will improve its ability to Strengthen International Financial System Security and Enhance U.S. National Security. FinCEN's priorities will be linked to the following new bureau strategic goals for FY 2008 and forward:

- Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime;
- Detection and deterrence of money laundering, terrorist financing, and other illicit activity; and
- Enhanced management, use, and security of BSA information.

In support of the FinCEN strategic goal “Financial systems resistant to abuse by money launderers, terrorists and their financial supporters, and other perpetrators of financial crime,” FinCEN will:

- Continue to develop additional memoranda of understanding to exchange information with federal and state regulators, with a focus on insurance commissioners;
- Continue to identify compliance trends and patterns across industries subject to the BSA and continue to publish, as appropriate, studies promoting greater awareness of emerging money laundering trends and vulnerabilities;
- Continue efforts to overhaul BSA regulations for inclusion in a new Code of Federal Regulations chapter to provide greater clarity in regulations and make them easier for industry to follow, as well as more intuitive and responsive to industry feedback;
- Continue efforts, in conjunction with the federal banking agencies, to match risk-based examination for BSA compliance with actual risks posed by products and services offered and customers and geographic locations served by banks;
- Reduce any undue perception of excessive regulatory responsibilities by providing clarification to regulated industries regarding their BSA programmatic, recordkeeping, and reporting requirements;
- Continue to take enforcement actions against financial institutions, as necessary, for willful violations of BSA requirements, including joint or concurrent actions with federal and state regulatory agencies; and
- Expand coordination with law enforcement and other regulatory agencies to identify and educate unregistered and/or unlicensed money services businesses.

In support of the FinCEN strategic goal “Detection and deterrence of money laundering, terrorist financing, and other illicit activity,” FinCEN will:

- Improve the proactive evaluation, analysis and referral of potential terrorism and financial crimes related to SARs to the law enforcement and intelligence communities;
- Expand capabilities and methodologies for geographic and industry threat assessments and for financial analysis;
- Enhance the focus on transnational financial crimes, to include cross-border money flows, the South Florida region, and an annual threat/targeting assessment of the Southwest Border;
- Increase the number of analyst exchanges with partner FIUs and expand the complexity of FinCEN products to better meet the needs of the bureau’s international partners; and
- Increase outreach to U.S. law enforcement and regulatory agencies to educate them on the benefits provided by the global network of FIUs in terms of investigative and intelligence resources and information gathering.

In support of the FinCEN strategic goal "Enhanced management, use, and accessibility of BSA information," and through the IT Modernization program, FinCEN will:

- Continue deployment of a disaster recovery capability for critical systems to minimize or eliminate system downtime in the event of the loss of access or system use at FinCEN's primary location;
- Pending final approval by the Secretary of the Treasury, begin development of the technological systems required to receive, securely store, analyze and disseminate cross-border wire transfer data, if a final decision is made by Treasury to proceed; and
- Enhance project management capability and oversight of information technology projects by expanding Capital Investment Planning, Enterprise Architecture, Configuration Management, and Change Management controls;

FY 2007 Financial Statement Highlights

Highlights of FinCEN's FY 2007 financial performance appear below. FinCEN is financed annually through appropriations authorized by Congress. The FY 2007 enacted budget is $73 million. Total assets were $42 and $55 million and total liabilities were $14 and $20 million at the end of FYs 2007 and 2006, respectively.

*Assets***:** FinCEN's total assets as of September 30, 2007 and 2006, were $42 and $55 million, respectively, of which approximately 64% consists of the fund balance with the Treasury in 2007 and 59% in 2006. Total assets decreased by $13 million, $7 million of which is due to the write off of equipment, software and labor associated with the cancellation of the BSA Direct Data Retrieval and Sharing Project. There was a $2.5 million decrease in accounts receivable. This is due to the collection of one receivable in the amount of $1 million and the establishment of an allowance for another debt of $1.5 million which is deemed uncollectible. There was a decrease in the fund balance with Treasury of $5.9 million which was primarily due to payment of rents due to GSA which were finally billed and paid in FY 2007.

*Liabilities***:** Total liabilities were $14 and $20 million, respectively at September 30, 2007 and 2006. Intra-governmental liabilities totaled $7 million. The decrease in total liabilities in FY 2007 over FY 2006 is due to the $6 million reduction of Intragovernmental liabilities. The major component of this amount is the more timely billing of rent by GSA. This has made it unnecessary for FinCEN to record accounts payable with GSA for the $4 million in rent that was accrued at the end of fiscal year 2006. The remaining $2 million is due mainly to the payment of all amounts due to the General Fund of the Treasury in FY 2007 which made it unnecessary for FinCEN to record an Intragovernmental liability for amounts due to the General Fund.

*Net Cost of Operations***:** The net cost of FinCEN operations totaled $106 million for the year ended September 30, 2007 and $101 million for the year ended September 30, 2006, an increase of 4.5%. All of FinCEN's costs are reported under the Department of the Treasury's Strategic Goal 3: Preserve the Integrity of Financial Systems. FinCEN discloses its net cost by its own Strategic Goals on the face of the financial statements. The majority of FinCEN's costs ($50 million or 47%) relate to FinCEN's goal of facilitating compliance, data management and information sharing through e-Government.

Custodial Revenue: Total net revenue collected by FinCEN on behalf of the federal government consists mainly of civil monetary penalties. These penalties are assessed against businesses or individual who do not comply with the reporting and disclosure requirements of the Bank Secrecy Act. In fiscal year 2007 FinCEN assessed and collected 2 large civil monetary penalties for approximately $12 million. In fiscal year 2006 there were $2.5 million in civil monetary penalties assessed.

Systems and Internal Controls

FinCEN's investment review board meets routinely to monitor ongoing IT projects and review proposed capital investments. Financial management systems are in compliance with Federal financial systems standards, Federal Manager's Financial Integrity Act (FMFIA) Section 4 and 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 uses their systems.

FinCEN completed a review of the Employee Separation Process in fiscal year 2007. The purpose of the review was to determine if appropriate controls were in place to ensure all government furnished equipment is returned and accounted for prior to an FTE or contractor departing FinCEN employment. Interviewed staff in applicable offices, developed a report of findings and recommendations, which included drafting revisions to the FinCEN Directive, Fin015, and the Exit Checklist.

FinCEN also completed a review of the receiving process used for goods and equipment. The purpose of the review was to strengthen and document FinCEN's receipt of goods and equipment to ensure accurate documentation of the receipt status. This review partially stemmed from the FY 2005 financial audit report of a material weakness requiring FinCEN to record the accrued liabilities at a transaction level. To meet the intent of this recommendation, the Office of Financial Management wants to improve the processes for documenting the receipt of goods and services to improve the related accounting processes. FinCEN is in the process of finalizing the review report and implementing the recommendations.

Improper Payment Improvement Act (IPIA) Reporting

Background: 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% and $10 million of total program funding.

Risk Assessment Methodology: 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% and $10 million of a total funding source, (1) statistical sampling must be performed to determine the actual improper payment rate, and (2) if erroneous payments exceed $10 million, a Corrective Action Plan to reduce erroneous payments must be developed and submitted to the Office of Management and Budget for approval.

Results for FY 2007: All of FinCEN’s programs and activities resulted in low risk susceptibility for improper payments.

Other Information/Issues

There are two audits that were completed in FY 2007, one by Treasury’s Office of the Inspector General (OIG) and one by the Government Accountability Office (GAO). The first, the OIG’s audit of FinCEN's 2006 financial statements, footnotes and related disclosures resulted in an unqualified opinion. The second, by GAO, focused on the coordination of BSA compliance and data management efforts between FinCEN and IRS. GAO recommended that FinCEN and IRS develop a coordinated strategy to better identify and select non-bank financial institutions for examination; the strategy is in the draft stage, and should be finalized during the first quarter of FY 2008.

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.

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

	As of September 30	
	2007	**2006**
ASSETS (Note 2)		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$26,747,399	$32,611,997
Accounts receivable (Note 4)	117,179	55,680
Other (Note 6)	2,189,308	488,615
Total intragovernmental	**29,053,886**	**33,156,292**
Accounts receivable, net (Note 4)	5,392	2,517,053
Property and equipment, net (Note 5)	12,701,297	19,793,852
Total assets	**$41,760,575**	**$55,467,197**
LIABILITIES (Note 7)		
Intragovernmental:		
Accounts payable	3,985,945	7,151,258
Other (Note 8)	2,760,079	5,636,939
Total intragovernmental	**6,746,024**	**12,788,197**
Accounts payable	4,317,323	3,764,483
Other (Note 8)	3,381,775	3,349,330
Total liabilities	**14,445,122**	**19,902,010**
Commitments and Contingencies (Notes 9 and 10)		
NET POSITION		
Unexpended appropriations	19,374,601	20,879,843
Cumulative results of operations	7,940,852	14,685,344
Total net position	**27,315,453**	**35,565,187**
Total liabilities and net position	**$41,760,575**	**$55,467,197**

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

	For the Years Ended September 30	
PROGRAM COSTS (Note 11)	**2007**	**2006**
Protect the financial system:		
Gross costs	$27,541,463	$24,866,917
Less: earned revenue	(363,217)	(297,424)
Net program costs	**27,178,246**	**24,569,493**
Combat terrorism, money laundering, and other financial crime:		
Gross costs	25,282,203	20,859,439
Less: earned revenue	(333,422)	(249,492)
Net program costs	**24,948,781**	**20,609,947**
Intensify international anti-money laundering collaboration:		
Gross costs	3,335,099	4,521,257
Less: earned revenue	(43,983)	(54,077)
Net program costs	**3,291,116**	**4,467,180**
Facilitate compliance, data management, and information sharing through e-Government:		
Gross costs	51,425,077	52,508,242
Less: earned revenue	(678,194)	(628,032)
Net program costs	**50,746,883**	**51,880,210**
Net cost of operations	**$106,165,026**	**$101,526,830**

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

	For the Years Ended September 30	
	2007	**2006**
Cumulative Results of Operations:		
Beginning balances	$14,685,344	$12,402,855
Budgetary financing sources:		
Appropriations used	74,482,105	75,362,696
Other financing sources (non-exchange):		
Transfers in/out without reimbursement	-	2,300,000
Imputed financing from costs absorbed by others (Note 14)	24,938,429	26,146,623
Total financing sources	**99,420,534**	**103,809,319**
Net cost of operations (Note 11)	(106,165,026)	(101,526,830)
Net change	**(6,744,492)**	**2,282,489**
Cumulative results of operations	**$7,940,852**	**$14,685,344**
Unexpended appropriations:		
Beginning balance	$20,879,843	$23,917,882
Budgetary financing sources:		
Appropriations received	73,216,364	73,630,000
Appropriations transferred in/out	225,000	-
Other adjustments	(464,501)	(1,305,343)
Appropriations used	(74,482,105)	(75,362,696)
Total budgetary financing sources	**(1,505,242)**	**(3,038,039)**
Total unexpended appropriations	**19,374,601**	**20,879,843**
Net position	**$27,315,453**	**$35,565,187**

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

	For the Years Ended September 30	
	2007	**2006**
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	$13,170,510	$8,991,088
Recoveries of prior year unpaid obligations (Note 12)	1,083,210	2,800,592
Budget authority:		
Appropriations	73,216,364	73,630,000
Spending authority from offsetting collections:		
Earned		
Collected	1,357,315	3,564,095
Change in receivables from Federal sources	61,500	12,761
Change in unfilled customer orders		
Without advance from Federal sources	507,984	(12,081)
Subtotal	**75,143,163**	**77,194,775**
Non-expenditure transfers, net: anticipated and actual	225,000	-
Permanently not available (Note 12)	(464,501)	(1,305,343)
Total budgetary resources	**$89,157,382**	**$87,681,112**
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 12):		
Direct	$75,962,067	$70,936,071
Reimbursable	1,976,572	3,574,531
Subtotal	**77,938,639**	**74,510,602**
Unobligated balance:		
Apportioned	7,553,962	10,079,577
Unobligated balance not available	3,664,781	3,090,933
Total status of budgetary resources	**$89,157,382**	**$87,681,112**

(Continued)

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

	For the Years Ended September 30	
	2007	**2006**
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net:		
Unpaid obligations brought forward, October 1	$19,566,426	$23,066,399
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(124,939)	(124,259)
Total unpaid obligated balance, net	**19,441,487**	**22,942,140**
Obligations incurred, net	(77,938,639)	(74,510,602)
Less: Gross outlays	(80,198,776)	(75,209,984)
Less: Recoveries of prior year unpaid obligations, actual	(1,083,210)	(2,800,592)
Change in uncollected customer payments from Federal sources	(569,484)	(680)
Obligated balance, net, end of period:		
Unpaid obligations	16,223,079	19,566,426
Less: Uncollected customer payments from Federal Sources	(694,423)	(124,939)
Total, unpaid obligated balance, net, end of period	**$15,528,656**	**$19,441,487**
NET OUTLAYS		
Gross outlays	$80,198,776	$75,209,984
Less: Offsetting collections	(1,357,315)	(3,564,095)
Less: Distributed offsetting receipts	(3,440)	(2,338)
Net outlays	**$78,838,021**	**$71,643,551**

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

	For the Years Ended September 30	
	2007	**2006**
Revenue activity (Note 13):		
Sources of cash collections:		
Civil monetary penalties	$13,461,367	$1,437,338
Total cash collections	**13,461,367**	**1,437,338**
Accrual adjustments	(2,497,179)	2,500,000
Total custodial revenue	**10,964,188**	**3,937,338**
Disposition of collections:		
Transferred to others:		
Department of the Treasury	(13,461,367)	(1,437,338)
Decrease/(Increase) in amounts yet to be transferred	2,497,179	(2,500,000)
Net custodial activity	**$ -**	**$ -**

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, 2007 and 2006

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 safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. This is accomplished primarily through the administration of the Bank Secrecy Act; supporting law enforcement, intelligence, and regulatory agencies through sharing and analysis of financial intelligence; building global cooperation with our counterpart financial intelligence units; and networking people, ideas, and information. To achieve our strategic plan, we have established the following Strategic Goals: Protect the financial system through effective administration of the Bank Secrecy Act; Combat terrorism, money laundering and other financial crime through analysis of the Bank Secrecy Act data and other relevant information; Intensify international anti-money laundering collaboration through the global network of Financial Intelligence Units; and Facilitate regulatory compliance, data management and information sharing through electronic government.

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 meet the requirements of the Government Management Reform Act of 1994. The financial statements consist of a balance sheet, 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 providing information for fiscal years 2007 and 2006.

FinCEN's financial statements with respect to the balance sheet, the statement of net cost, and the statement 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.

Earmarked Funds within the Department of Treasury appropriations include any funds financed by specifically identified revenues and other financing sources that are required by statute to be used for designated activities, benefits or purposes; which remain available over time to finance designated activities, benefits, or purposes; and which must be accounted for separately from the Treasury's general funds. Management has determined that FinCEN receipts do not meet the definition of earmarked funds as defined by Statement of Federal Financial Accounting Standards No. 27, "*Identifying and Reporting Earmarked Funds.*"

These financial statements should be read with the realization that they are for a component of a sovereign entity, that 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.

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. Since FinCEN is a component of the United States government, a sovereign entity, FinCEN's liabilities cannot be liquidated without legislation that provides resources or an appropriation. 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. The United States government, acting in its sovereign capacity, can abrogate liabilities of FinCEN arising from other than contracts.

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. During the rent abatement period no rent is payable to GSA. Rent payments commenced in fiscal year 2006, however, 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, 2007 and 2006, 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, 2007 and 2006, 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 an 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 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. Actual results may differ from those estimates. FinCEN's accounts payable at year end are based on significant estimates.

Tax Status
FinCEN, as a Federal agency, is not subject to Federal, state, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

NOTE 2. NON-ENTITY ASSETS

Non-entity assets as of September 30, 2007 and 2006 consisted of the following:

	2007	**2006**
Civil penalties assessed	$ 1,500,000	$ 3,200,000
Custodial account receivable	2,821	-
Less allowance for doubtful collection	(1,500,000)	(700,000)
Total non-entity assets	**2,821**	**2,500,000**
Total entity assets	41,757,754	52,967,197
Total assets	**$41,760,575**	**$55,467,197**

Non-entity accounts receivable 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 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, 2007 and 2006 consisted of the following components:

	2007	2006
Trust funds	$149,628	$156,470
Appropriated funds	26,597,771	32,455,527
Total	**$26,747,399**	**$32,611,997**

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, 2007 and 2006 consisted of the following:

	2007	2006
Unobligated balance:		
Available	$7,553,962	$10,079,577
Unavailable	3,664,781	3,090,933
Obligated balance not yet disbursed	15,528,656	19,441,487
Total	**$26,747,399**	**$32,611,997**

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, 2007 and 2006, were as follows:

	2007	2006
Intragovernmental:		
Accounts receivable	$117,179	$55,680
Public:		
Accounts receivable	5,392	17,053
Civil penalties assessed	1,500,000	3,200,000
Less allowance for doubtful collection	(1,500,000)	(700,000)
Public accounts receivable, net	**5,392**	**2,517,053**
Total accounts receivable, net	**$122,571**	**$2,572,733**

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

Accounts receivable from non-Federal 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 that was referred to Debt Management Operations within the Financial Management Service.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of September 30, 2007 and 2006 consisted of the following:

			2007		
	Depreciation Method	Useful Life (In years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture, fixtures and equipment	S/L	5-7	$8,241,891	($4,089,171)	$4,152,720
Construction in progress	N/A	N/A	1,379,204	-	1,379,204
Internal-use software	S/L	5	10,152,489	(7,488,342)	2,664,147
Internal-use software in development	N/A	N/A	4,473,584	-	4,473,584
Leasehold improvements	S/L	3-5	601,829	(570,187)	31,642
Total			**$24,848,997**	**($12,147,700)**	**$12,701,297**

			2006		
	Depreciation Method	Useful Life (In years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture, fixtures and equipment	S/L	5-7	$6,397,590	($3,258,448)	$3,139,142
Construction in progress	N/A	N/A	330,846	-	330,846
Internal-use software	S/L	5	9,791,668	(5,649,499)	4,142,169
Internal-use software in development	N/A	N/A	12,034,916	-	12,034,916
Leasehold improvements	S/L	3-5	705,960	(559,181)	146,779
Total			**$29,260,980**	**($9,467,128)**	**$19,793,852**

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. The indirect costs consist of the applied overhead on FinCEN employee labor associated with the software in development. Depreciation and amortization expense recognized during the year ended September 30, 2007 and 2006 was $2,713,477 and $2,480,749, respectively.

On July 13, 2006 FinCEN permanently halted the BSA Direct Data Retrieval and Sharing Component (BSA Direct R&S) project. FinCEN wrote off $5.1 million in fiscal year 2006 related to this project which decreased the property, plant and equipment balance reported on the balance sheet and increased the expenses reported in the statement of net cost. This amount includes both hardware and software and the associated labor. Additional items were identified during fiscal year 2007 that were not considered usable in the course of FinCEN's activities. The total amount that was written off in fiscal year 2007 was $7.1 million, of which approximately $638 thousand are items that are in use but do not meet FinCEN's capitalization threshold. This write off decreased the property, plant and equipment balance reported on the balance sheet and increased the expenses reported in the statement of net cost. The remaining $4.0 million worth of capitalized equipment was reclassified from this project to other projects within FinCEN.

NOTE 6. OTHER ASSETS

Other assets as of September 30, 2007 and 2006 consisted of the following:

	2007	**2006**
Intragovernmental:		
Advances and prepayments	$2,189,308	$488,615
Total other assets	**$2,189,308**	**$488,615**

Intragovernmental advances and prepayments consist of amounts paid to the Department of the Treasury Working Capital Fund prior to FinCEN's receipt of goods and services.

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, 2007 and 2006 liabilities not covered by budgetary resources consisted of the following:

	2007	**2006**
Intragovernmental:		
Accrued workers' compensation	$5,262	$1,167
Unamortized rent abatement	2,509,246	2,880,986
Total intragovernmental	2,514,508	2,882,153
Public:		
Accrued annual leave	2,209,877	2,199,003
Actuarial liability for workers' compensation	32,980	41,055
Total public	2,242,857	2,240,058
Total liabilities not covered by budgetary resources	**4,757,365**	**5,122,211**
Total liabilities covered by budgetary resources or non-entity assets	9,687,757	14,779,799
Total liabilities	**$14,445,122**	**$19,902,010**

NOTE 8. OTHER LIABILITIES

Other liabilities as of September 30, 2007 and 2006 consisted of the following:

	2007		
	Non-Current	Current	Total
Intragovernmental:			
Due to Treasury General Fund	$-	$2,821	$2,821
Due to other Federal agencies	-	1,652	1,652
Accrued employee benefits	-	241,098	241,098
Accrued workers' compensation	4,942	320	5,262
Unamortized rent abatement	2,137,506	371,740	2,509,246
Total intragovernmental	**2,142,448**	**617,631**	**2,760,079**
Public:			
Accrued payroll and employee benefits	-	1,138,919	1,138,919
Accrued annual leave	-	2,209,876	2,209,876
Actuarial liability for workers' compensation	32,980	-	32,980
Total public	**32,980**	**3,348,795**	**3,381,775**
Total other liabilities	**$2,175,428**	**$3,966,426**	**$6,141,854**

	2006		
	Non-Current	Current	Total
Intragovernmental:			
Due to Treasury General Fund	$-	$2,500,000	$2,500,000
Due to other Federal agencies	-	-	-
Accrued employee benefits	-	254,786	254,786
Accrued workers' compensation	320	847	1,167
Unamortized rent abatement	2,509,246	371,740	2,880,986
Total intragovernmental	**2,509,566**	**3,127,373**	**5,636,939**
Public:			
Accrued payroll and employee benefits	-	1,109,272	1,109,272
Accrued annual leave	-	2,199,003	2,199,003
Actuarial liability for workers' compensation	41,055	-	41,055
Total public	**41,055**	**3,308,275**	**3,349,330**
Total other liabilities	**$2,550,301**	**$6,435,648**	**$8,986,269**

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 amount paid to GSA during fiscal years 2007 and 2006 was $4,630,723 and $4,010,902 respectively.

As of September 30, 2007 future lease payments due under operating leases are as follows:

2007	$ 29,788
2008	25,718
2009	24,361
2010	24,361
2011	24,361
Thereafter	379,625
Total future payments	**$508,214**

NOTE 10. COMMITMENTS AND CONTINGENCIES

FinCEN is party to various administrative proceedings, legal actions and claims. To the extent applicable, the balance sheet includes an estimated liability for those legal actions where the Legal Counsel considers adverse decisions "probable" and the potential loss can be estimated. Management has determined that it is not probable that some of these proceedings and actions will result in the incurrence of liabilities as of September 30, 2007 and 2006, and accordingly no legal liabilities have been accrued in the accompanying financial statements.

There are two legal actions pending where adverse decisions are considered to be "reasonably possible" as of September 30, 2007. Complainant's attorneys estimate the possible loss at approximately $30,000, plus compensatory damages for both cases. There was one legal action pending where adverse decision was considered to be "reasonably possible" as of September 30, 2006. This case was settled in fiscal year 2007.

Reasonably possible losses are not recognized on the balance sheet.

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and exchange revenue for the years ended September 30, 2007 and 2006 consisted of the following:

	2007	2006
PROGRAM COSTS		
Protect the financial system		
Intragovernmental costs	$13,000,527	$12,568,108
Public costs	14,540,936	12,298,809
Total program costs	**27,541,463**	**24,866,917**
Intragovernmental earned revenue	(363,217)	(297,424)
Net program cost	**27,178,246**	**24,569,493**
Combat terrorism, money laundering, and other financial crime		
Intragovernmental costs	11,934,078	10,542,669
Public costs	13,348,125	10,316,770
Total program costs	**25,282,203**	**20,859,439**
Intragovernmental earned revenue	(333,422)	(249,492)
Net program cost	**24,948,781**	**20,609,947**
Intensify international anti-money laundering collaboration		
Intragovernmental costs	1,574,283	2,285,110
Public costs	1,760,816	2,236,147
Total program costs	**3,335,099**	**4,521,257**
Intragovernmental earned revenue	(43,983)	(54,077)
Net program cost	**3,291,116**	**4,467,180**
Facilitate compliance, data management, and information sharing through e-Government		
Intragovernmental costs	24,274,423	26,538,443
Public costs	27,150,654	25,969,799
Total program costs	**51,425,077**	**52,508,242**
Intragovernmental earned revenue	(678,194)	(628,032)
Net program cost	**50,746,883**	**51,880,210**
Net cost of operations	**$106,165,026**	**$101,526,830**

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, 2007 and 2006 consisted of the following:

	2007	**2006**
Direct Obligations		
Category B	$75,962,067	$70,936,071
Reimbursable Obligations		
Category B	1,976,572	3,574,531
Total	**$77,938,639**	**$74,510,602**

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 2007 and 2006 consisted of the following:

	2007	**2006**
Recoveries of prior year obligations	$1,083,210	$2,800,592
Cancellations of expired accounts	(464,501)	(569,043)
Enacted reductions	-	(736,300)
Total	**$618,709**	**$1,495,249**

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

The fiscal year 2009 *Budget of the United States Government* (also known as the President's Budget) with actual numbers for fiscal year 2007, was not published at the time these financial statements were issued. The President's Budget is expected to be published in February 2008.

The following chart displays the differences between the fiscal year 2006 Statement of Budgetary Resources and the actual fiscal year 2006 balances included in the fiscal year 2008 President's Budget.

	(In millions)			
	Budgetary Resources	Obligations Incurred	Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 73	$ 74	$ 3	$ 72
Obligations in expired accounts not included in President's Budget	-	-	-	-
President's Budget	$ 73	$ 74	$ 3	$ 72

Undelivered Orders at the End of the Period

Undelivered orders as of September 30, 2007 and 2006 were $8,727,449 and $7,286,626, 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, 2007 and 2006 cash collections and distributions to Treasury were $13,461,367 and $1,437,338, respectively. The custodial accrual adjustment totaling $2,497,179 and $2,500,000 at September 30, 2007 and 2006, respectively, reflects the change in accounts receivable FinCEN has which are offset by the decrease in custodial liability – amounts yet to be transferred of $2,497,179 in 2007 and an increase in custodial liability – amounts yet to be transferred of $2,500,000 in 2006.

NOTE 14. IMPUTED FINANCING SOURCES

FinCEN has imputed financing costs with the Office of Personnel Management as well as the Internal Revenue Service. Imputed financing sources from the Internal Revenue Service for the collection and processing of Bank Secrecy Act Data for the years ended September 30, 2007 and 2006 were $22,969,563 and $24,232,012, respectively. A summary of the imputed financing costs by agency for the years ended September 30, 2007 and 2006 is as follows:

	2007	**2006**
Office of Personnel Management	$ 1,968,866	$ 1,914,611
Internal Revenue Service	22,969,563	24,232,012
Total Imputed Financing Sources	**$24,938,429**	**$26,146,623**

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

FinCEN changed its method of reporting the reconciliation of the Net Cost of Operations to budgetary resources during FY 2007. Effective FY 2007 and in accordance with OMB Circular A-136, the Statement of Financing is no longer considered a basic financial statement. In previous years, this reconciliation was accomplished by presenting Statement of Financing as a basic financial statement.

For the Fiscal Years Ended September 30, 2007 and 2006:

	For the Years Ended September 30	
	2007	**2006**
Resources used to finance activities:		
Budgetary resources obligated:		
Obligations incurred	$77,938,639	$74,510,602
Less: Spending authority from offsetting collections and recoveries	(3,010,009)	(6,365,367)
Obligations net of offsetting collections and recoveries	74,928,630	68,145,235
Less: Offsetting receipts	(3,440)	(2,338)
Net obligations	74,925,190	68,142,897
Other resources:		
Transfers in/out without reimbursement	-	2,300,000
Imputed financing from costs absorbed by others	24,938,429	26,146,623
Net other resources used to finance activities	24,938,429	28,446,623
Total resources used to finance activities	**99,863,619**	**96,589,520**
Resources used to finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	444,224	(7,174,952)
Resources that fund expenses recognized in prior periods	365,333	374,634
Budgetary offsetting collections and receipts that do not affect net cost of operations		
Other	(3,440)	(2,302,338)
Resources that finance the acquisition of assets	2,694,594	9,435,629
Other resources or adjustments to net obligated resources that do not affect net cost of operations	-	2,300,000
Total resources used to finance items not part of the net cost of operations	**3,500,711**	**2,632,973**
Total resources used to finance the net cost of operations	**96,362,908**	**93,956,547**

(Continued)

	For the Years Ended September 30	
	2007	**2006**
Components of the net cost of operations that will not require or generate resources in the current period:		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	$10,873	$40,103
Other	4,095	320
Total components of net cost of operations that will require or generate resources in future periods	**14,968**	**40,423**
Components not requiring or generating resources:		
Depreciation and amortization	2,713,477	2,480,749
Revaluation of assets or liabilities	7,073,673	5,060,050
Other	-	(10,939)
Total components of net cost of operations that will not require or generate resources	**9,787,150**	**7,529,860**
Total components of net cost of operations that will not require or generate resources in the current period	**9,802,118**	**7,570,283**
Net cost of operations	**$106,165,026**	**$101,526,830**

United States Department of the Treasury
Financial Crimes Enforcement Network
Required Supplementary Information
For the Years Ended September 30, 2007 and 2006

STATEMENT OF BUDGETARY RESOURCES

Budgetary resources disaggregated by major accounts for the years ended September 30, 2007 and 2006 consisted of the following:

	2007		
	Appropriated Funds	Trust Funds	Total
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$13,105,616	$64,894	$13,170,510
Recoveries of prior year unpaid obligations	1,083,210		1,083,210
Budget authority:			
Appropriations	73,216,364	-	$73,216,364
Spending authority from offsetting collections:			
Earned			
Collected	1,357,315	-	1,357,315
Change in receivables from Federal sources	61,500	-	61,500
Change in unfilled customer orders			
Without advance from Federal sources	507,984	-	507,984
Subtotal	**75,143,163**	**-**	**75,143,163**
Non-expenditure transfer, net: anticipated and actual	225,000	-	225,000
Permanently not available	(464,501)	-	(464,501)
Total budgetary resources	**$89,092,488**	**$64,894**	**$89,157,382**
STATUS OF BUDGETARY RESOURCES			
Obligations incurred:			
Direct	$75,958,766	$3,301	$75,962,067
Reimbursable	1,976,572	-	1,976,572
Subtotal	**77,935,338**	**3,301**	**77,938,639**
Unobligated balance:			
Apportioned	7,492,369	61,593	7,553,962
Unobligated balance not available	3,664,781	-	3,664,781
Total status of budgetary resources	**$89,092,488**	**$64,894**	**$89,157,382**

(Continued)

	2007		
	Appropriated Funds	Trust Funds	Total
CHANGE IN OBLIGATED BALANCES			
Obligated balance, net:			
Unpaid obligations brought forward, October 1	$19,474,850	$91,576	$19,566,426
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(124,939)	-	(124,939)
Total unpaid obligated balance, net	**19,349,911**	**91,576**	**19,441,487**
Obligations incurred, net	77,941,940	(3,301)	77,938,639
Less: Gross outlays	(80,191,934)	(6,842)	(80,198,776)
Less: Recoveries of prior year unpaid obligations, actual	(1,083,210)	-	(1,083,210)
Change in uncollected customer payments from Federal sources	(569,484)	-	(569,484)
Obligated balance, net, end of period			
Unpaid obligations	16,135,044	88,035	16,223,079
Less: Uncollected customer payments from Federal sources	(694,423)	-	(694,423)
Total, unpaid obligated balance, net, end of period	**$15,440,621**	**$88,035**	**$15,528,656**
NET OUTLAYS			
Gross outlays	$80,191,934	$6,842	$80,198,776
Less: Offsetting collections	(1,357,315)	-	(1,357,315)
Less: Distributed offsetting receipts	(3,440)	-	(3,440)
Net outlays	**$78,831,179**	**$6,842**	**$78,838,021**

United States Department of the Treasury
Financial Crimes Enforcement Network
Required Supplementary Information
For the Years Ended September 30, 2007 and 2006

	2006		
	Appropriated Funds	Trust Funds	Total
BUDGETARY RESOURCES			
Unobligated balance, brought forward, October 1	$ 8,961,558	$29,530	$8,991,088
Recoveries of prior year unpaid obligations	2,789,834	10,758	2,800,592
Budget authority:			
Appropriations	73,630,000	-	73,630,000
Spending authority from offsetting collections:			
Earned			
Collected	3,521,340	42,755	3,564,095
Change in receivables from Federal sources	12,761	-	12,761
Change in unfilled customer orders			
Without advance from Federal sources	(12,081)	-	(12,081)
Subtotal	**77,152,020**	**42,755**	**77,194,775**
Permanently not available	(1,305,343)	-	(1,305,343)
Total budgetary resources	**$87,598,069**	**$83,043**	**$87,681,112**
STATUS OF BUDGETARY RESOURCES			
Obligations incurred:			
Direct	$70,917,922	$18,149	$70,936,071
Reimbursable	3,574,531	-	3,574,531
Subtotal	**74,492,453**	**18,149**	**74,510,602**
Unobligated balance:			
Apportioned	10,014,683	64,894	10,079,577
Unobligated balance not available	3,090,933	-	3,090,933
Total status of budgetary resources	**$87,598,069**	**$83,043**	**$87,681,112**

(Continued)

	2006		
	Appropriated Funds	Trust Funds	Total
CHANGE IN OBLIGATED BALANCES			
Obligated balance, net			
Unpaid obligations brought forward, October 1	$22,961,886	$104,513	$23,066,399
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(124,259)	-	(124,259)
Total unpaid obligated balance, net	**22,837,627**	**104,513**	**22,942,140**
Obligations, incurred, net	(74,492,453)	(18,149)	(74,510,602)
Less: Gross outlays	(75,189,656)	(20,328)	(75,209,984)
Less: Recoveries of prior year unpaid obligations, actual	(2,789,834)	(10,758)	(2,800,592)
Change in uncollected customer payments from Federal sources	(680)	-	(680)
Obligated balance, net, end of period			
Unpaid obligations	19,474,850	91,576	19,566,426
Less: Uncollected customer payments from Federal sources	(124,939)	-	(124,939)
Total, unpaid obligated balance, net, end of period	**$19,349,911**	**$91,576**	**$19,441,487**
NET OUTLAYS			
Gross outlays	$75,189,656	$20,328	$75,209,984
Offsetting collections	(3,521,340)	(42,755)	(3,564,095)
Distributed offsetting receipts	(2,338)	-	(2,338)
Net outlays	**$71,665,978**	**($22,427)**	**$71,643,551**

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