Audit Report



OIG-05-034

TERRORIST FINANCING/MONEY LAUNDERING: Additional Outreach and System Enhancements are Needed to Encourage Greater Use of FinCEN's BSA E-Filing

March 31, 2005

Office of
Inspector General
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Abbreviations

BSA	Bank Secrecy Act
BSA E-Filing	BSA Direct E-Filing
CTR	Currency Transaction Report

CTRC	Currency Transaction Report by Casinos
EIN	Employer Identification Number
DEP	Designation of Exempt Person
FBAR	Report of Foreign Bank and Financial Accounts
FinCEN	Financial Crimes Enforcement Network
OIG	Office of Inspector General
IRS	Internal Revenue Service
IRS-DCC	Internal Revenue Service's Detroit Computing Center
MSB	Money Services Business
PACS	Patriot Act Communication System
SAR	Suspicious Activity Report
SAR-C	Suspicious Activity Report by Casinos and Card Clubs
SAR-MSB	Suspicious Activity Report by Money Services Business
SAR-SF	Suspicious Activity Report by the Securities and Futures Industries
SBSE	Small Business Self-Employed
SSN	Social Security Number

March 31, 2005

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In response to a requirement in the USA PATRIOT Act, the Financial Crimes Enforcement Network (FinCEN) developed the BSA Direct E-Filing (BSA E-Filing) system[1] to provide institutions with a highly secure network to file Bank Secrecy Act (BSA) reports, and to provide alerts and other information regarding suspicious activities that warrant immediate attention and scrutiny. Use of BSA E-Filing is not mandatory; however, FinCEN promotes electronic filing in support of the federal government's efforts to receive timely BSA information for law enforcement to use to prevent and detect money laundering, terrorist financing, and other financial crimes.

We performed an audit of BSA E-Filing to determine (1) if BSA E-Filing is an effective mechanism for filing BSA reports and (2) how many institutions are using BSA E-Filing to file reports and, for those not using BSA E-Filing, the reasons why. As part of the audit, we queried a sample of enrolled and non-enrolled institutions about their experiences with BSA E-Filing or, if non-users, their reasons for not using the system. A more detailed description of

[1] At the time of our audit, the system was known as the Patriot Act Communication System (PACS); however, on January 31, 2005, FinCEN changed the name of the system to BSA Direct E-Filing (BSA E-Filing). We have changed the name of the system in this report to BSA E-Filing to reflect the name change. However, because we referred to the system as PACS when we mailed our survey questionnaire to respondents, we refer to the system as PACS in Appendices 4 and 5.

the audit's objectives, scope, and methodology is provided in Appendix 1.

Results in Brief

We found BSA E-Filing to be an effective mechanism for filing BSA reports. BSA E-Filing reduces processing time, provides controls to improve the accuracy, completeness, and security of BSA data, and, if used instead of paper processing, could significantly reduce the cost of processing BSA reports. Moreover, institutions using BSA E-Filing to file reports generally found the system easy to use. Our assessment was made from information provided by FinCEN and from our survey results of BSA E-Filing enrolled and non-enrolled institutions.[2]

In October 2003 only about 1 percent of the institutions filing BSA reports had enrolled with FinCEN to use BSA E-Filing, and of those, even fewer actually filed BSA reports using BSA E-Filing. More recent data provided by FinCEN shows little change in monthly numbers of new enrollees. Reasons for not using BSA E-Filing varied. Sixty-three percent of institutions not enrolled in BSA E-Filing to file BSA reports, or an estimated 15,941 of 25,303 institutions, reported that they were not familiar with the system. Other non-enrollees cited low report volume, insufficient BSA E-Filing knowledge, or the lack of Internet capability. Enrolled institutions suggested easier user set-up, digital certification/authentication, and data entry could improve BSA E-Filing.

We are recommending that FinCEN increase awareness of BSA E-Filing by working with financial regulatory partners to conduct additional outreach efforts among potential BSA E-Filing users, and evaluate and select certain system enhancements to BSA E-Filing that could encourage more enrollment and use of the system. As a long-term measure to maximize the benefits to law enforcement and reduce the cost associated with paper-filed BSA reports, we

[2] We did not independently test the transmission of BSA report data through BSA E-Filing.

are also recommending that FinCEN revise its regulations to mandate the use of BSA E-Filing. In this regard, cost savings of the approximately $16 million that Treasury currently spends annually on paper processing, or $48 million over a 3-year period, could be realized.

In response to our draft report, FinCEN indicated full concurrence with our recommendations and plans to complete its corrective actions by October 2005. As of the first quarter of fiscal year 2005, FinCEN stated that 23 percent of currency transaction reports and 34 percent of suspicious activity reports were filed through the BSA E-Filing system. FinCEN's priority will be to expand outreach to the top 1550 magnetic/paper BSA report filers. FinCEN said it has already included a presentation on BSA E-Filing during conferences with the financial industry. FinCEN is also examining technology enhancements to BSA E-Filing, and plans to perform a *usability analysis* on the system to review and select the best additional improvements, considering time and budget constraints. The most significant of these enhancements is the *secure direct e-file transfer enhancement* that will allow the current high volume filers to file directly into the BSA E-Filing system. Regarding mandating the system's use, FinCEN will assess the feasibility and advisability of mandating electronic filing, and develop a recommended course of action. FinCEN's complete response is included as Appendix 7.

Background

Bank Secrecy Act

The Bank Secrecy Act (BSA), enacted in 1970, authorizes the Secretary of the Treasury to issue regulations requiring financial institutions to keep records and file reports on certain financial transactions.[3] The authority of the Secretary to administer the BSA has been delegated to the Director of FinCEN.

[3] Codified at 31 U.S.C. 5311-5330 with implementing regulations at 31 C.F.R. Part 103.

FinCEN, created in 1990, initially focused on the detection of financial crimes by providing analytical support to law enforcement investigations. Its role changed in October 1994, when it absorbed Treasury's Office of Financial Enforcement—the office that administered the BSA in conjunction with the IRS and other government agencies—consolidating into a single anti-money laundering agency charged with administering the BSA. The Internal Revenue Service (IRS) retained management control over the financial information reported under the BSA.

Two of the more widely used BSA reports include the Currency Transaction Report (CTR) and the Suspicious Activity Report (SAR). CTRs are used to report transactions exceeding $10,000, while SARs are used to report suspicious financial transactions. Appendix 2 provides a description of the various BSA reports required of banks, securities dealers, casinos, money service businesses (MSB), and others.

In accordance with BSA regulations, institutions must file a CTR within 15 days from the date of the transaction, and a SAR within 30 days from the date in which the suspicious activity was first identified. If no suspect was identified on the date the incident requiring the filing was detected, an institution may take an additional 30 days to file the SAR (up to 60 days total) in order to further research the suspect's identification.

The BSA was amended by The *Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* (USA PATRIOT Act), which was signed into law on October 26, 2001. The number of financial institutions subject to BSA reporting requirements expanded dramatically following passage of the USA PATRIOT Act, largely due to a provision that requires non-financial trades or businesses to file a report when receiving over $10,000 in cash or cash equivalents (Form 8300).

Currently, an estimated 220,000 financial institutions are potentially subject to BSA reporting and recordkeeping

requirements. The institutions include depository institutions (banks, thrifts, and credit unions); brokers or dealers in securities; money services businesses (money transmitters; issuers, redeemers, and sellers of money orders and travelers' checks; check cashers and currency exchangers); as well as casinos and card clubs. However, a much smaller number of institutions—25,513 at October 2003—actually filed reports. Institutions can file BSA reports by paper or electronic means. Electronic filings can be made using cartridge, tape, diskette, or through BSA E-Filing.

BSA E-Filing

BSA E-Filing was developed in response to a mandate in the USA PATRIOT Act. Specifically, the Act required FinCEN to develop a highly secure network that (1) allows financial institutions to file reports as required by BSA regulations,[4] and (2) provides financial institutions with alerts and other information regarding suspicious activities that warrant immediate and enhanced scrutiny.[5] Development of the highly secured network was to be expedited and fully operational by approximately July 26, 2002. Although BSA E-Filing did not become available to institutions until October 1, 2002, FinCEN considered BSA E-Filing to have become "fully operational" in July 2002 when tested as part of a pilot involving 26 institutions and with just two BSA report types: the CTR and SAR.

BSA E-Filing is a web-based interface that allows financial institutions to file BSA forms, such as CTRs and SARs, electronically over the Internet. The electronic filings flow through BSA E-Filing and are stored in mainframe databases maintained by the IRS for access by FinCEN, law enforcement, and other users. BSA E-Filing also allows FinCEN to issue system updates to the BSA E-Filing user community, and provides filing institutions with the ability to send secure messages to FinCEN as well as to receive responses where appropriate.

[4] Subchapter II or III of chapter 53 of title 31, U.S.C.; and chapter 2 of Public Law 91-508.
[5] Subtitle B, Section 362 of Public Law 107-56—Oct. 26, 2001.

Not all BSA forms are available for filing through BSA E-Filing. Initially, BSA E-Filing went online with only bank CTR and SAR forms. Later, in October 2003, FinCEN added the SAR forms for securities and futures dealers, MSBs, and casinos.[6] At the time of our audit, the BSA forms not available for filing through BSA E-Filing included the (1) Report of International Transportation of Currency or Monetary Instruments (CMIR), (2) Currency Transaction Report by Casinos – Nevada (CTR-N), (3) Report of Foreign Bank and Financial Accounts (FBAR), (4) Report of Cash Payments over $10,000 Received in a Trade or Business (Form 8300), (5) Designation of Exempt Person, and (6) Registration of Money Service Business.

FinCEN's plan is that all BSA forms, with some exceptions, would eventually be available in BSA E-Filing. FinCEN plans to include all new versions of the SAR and other forms as they are created. When considering new forms to include, FinCEN plans to factor in the time required for adequate preparation and testing, as well as the time after implementation to monitor the system for stability, reliability, and performance.

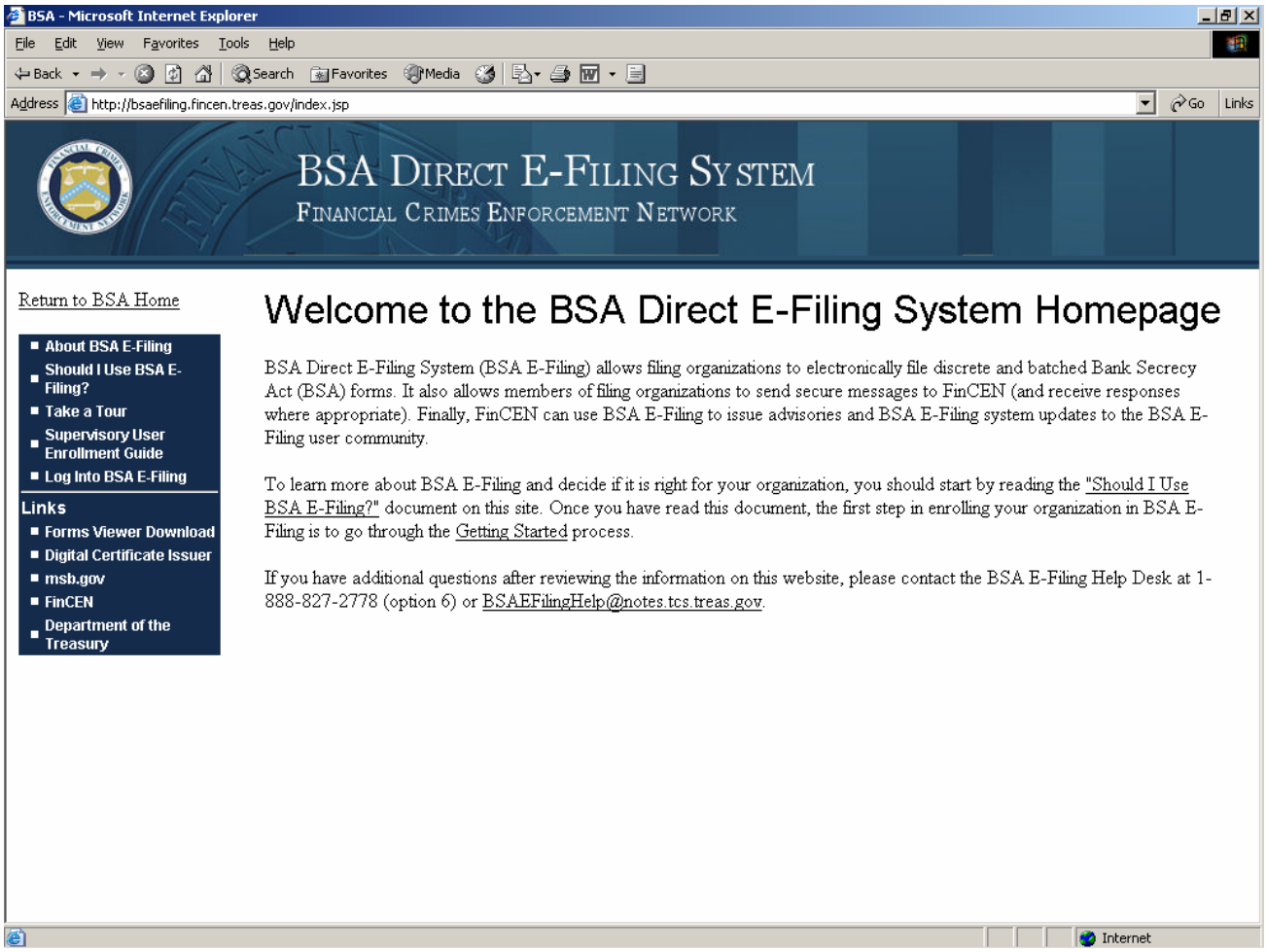
The use of BSA E-Filing is not required, although FinCEN encourages its use because BSA information reported using BSA E-Filing is processed more timely. Some institutions regularly file thousands of electronic CTRs and dozens of SARs at a single time, while others file only a small number of electronic or paper-based CTR and SAR forms yearly. For both, BSA E-Filing serves as another conduit for filing BSA forms with the federal government.

BSA E-Filing usage does not include any subscription or filing fees. The primary costs to filers take the form of organizational time and effort, and necessary upgrades to their software, hardware, or Internet connectivity in order to use the system. As suggested by

[6] The CTR form used by both securities and futures dealers and MSBs is the same form used by depository institutions; a CTR form specific to securities and futures dealers and MSBs does not presently exist.

FinCEN, filing through BSA E-Filing can provide cost savings to financial institutions using the system; for example, it eliminates direct mailing costs associated with paper filings.

BSA E-Filing is hosted on a secure website on the Internet (http://bsaefiling.fincen.treas.gov/index.jsp). On the following page is a graphic depiction of the Website's homepage.



All BSA data submissions through BSA E-Filing are encrypted. Filing institution personnel can access BSA E-Filing only after they have applied for and received digital certification. Digital certification refers to an electronic credit card that establishes the user's identification on the Web and works with public key encryption to produce digital signatures. A certification authority issues digital certificates.

Upon receiving digital certification, institutions can download and install *PureEdge* software from FinCEN's BSA E-Filing Website. *PureEdge* software is used to fill out and digitally sign, where

appropriate, BSA reports such as CTRs and SARs. BSA E-Filing also provides notification back to the filing institution confirming the receipt of CTR submissions. Although institutions do not receive such notification for SARs filed through BSA E-Filing, they are able to check the system to confirm the federal government's receipt of the submission.

Section 362 of the USA PATRIOT Act requires FinCEN to "...provide financial institutions with alerts and other information regarding suspicious activities that warrant immediate and enhanced scrutiny." However, FinCEN is not using BSA E-Filing to issue such alerts to institutions because not all institutions are using BSA E-Filing. FinCEN does not plan to issue alerts through BSA E-Filing unless and until use of the system becomes mandatory. FinCEN also believes using BSA E-Filing to disseminate information is unnecessary given the success of the 314(a)[7] process in sending out alerts, financial record check requests, and other information.

Although suspicious activity alerts are not issued through BSA E-Filing, system upgrade alerts and user questions are communicated through the system. In addition, BSA E-Filing related issues are communicated to institutions through, for example, the American Bankers Association, by outreach programs (such as letters and helpdesk callings), and through the BSA E-Filing Website.

FinCEN and IRS Detroit Computer Center (IRS-DCC) Relationship

FinCEN uses IRS-DCC for processing BSA reports and other BSA-related services. FinCEN has used IRS-DCC for these services for many years because of IRS's capability to securely handle substantial financial information. Currently, BSA reports filed

[7] In accordance with Section 314(a) of the USA PATRIOT Act, regulatory and law enforcement authorities are to share with financial institutions information regarding individuals, entities, and organizations engaged in or reasonably suspected based on credible evidence of engaging in terrorist acts or money laundering activities.

through BSA E-Filing are transmitted by institutions to FinCEN, and then FinCEN, in turn, forwards the data to IRS-DCC. BSA reports filed through BSA E-Filing are routed in this manner because IRS system security prevents receipt of the BSA E-Filing data directly from filing institutions.

Findings

Finding 1 BSA E-Filing is an Effective Mechanism for Filing BSA Reports

We found BSA E-Filing to be an effective mechanism for filing BSA reports. The system reduces processing time, provides controls to improve the accuracy, completeness, and security of BSA data, and has the potential to reduce the cost of processing BSA reports. Cost reduction would occur if IRS-DCC no longer needed to contract for converting paper BSA reports into electronic media or have staff devoted to handling paper forms.

BSA E-Filing Reduces Processing Time

When compared to BSA reports filed by paper and other electronic media, BSA E-Filing speeds up the process of getting the BSA data into databases once IRS-DCC receives the filings from institutions. The availability of the BSA data for law enforcement purposes is impacted by the time allowed by regulation for institutions to file the BSA reports with IRS-DCC.

During our audit, we examined IRS-DCC BSA filings for the week of January 5, 2004, to identify the timeframes for processing BSA reports filed through the different methods, including paper, magnetic media,[8] and BSA E-Filing. An IRS-DCC official indicated this period represented a typical week of BSA filings. We also interviewed IRS-DCC officials with BSA responsibilities to obtain an overview of the controls in place to ensure completeness and

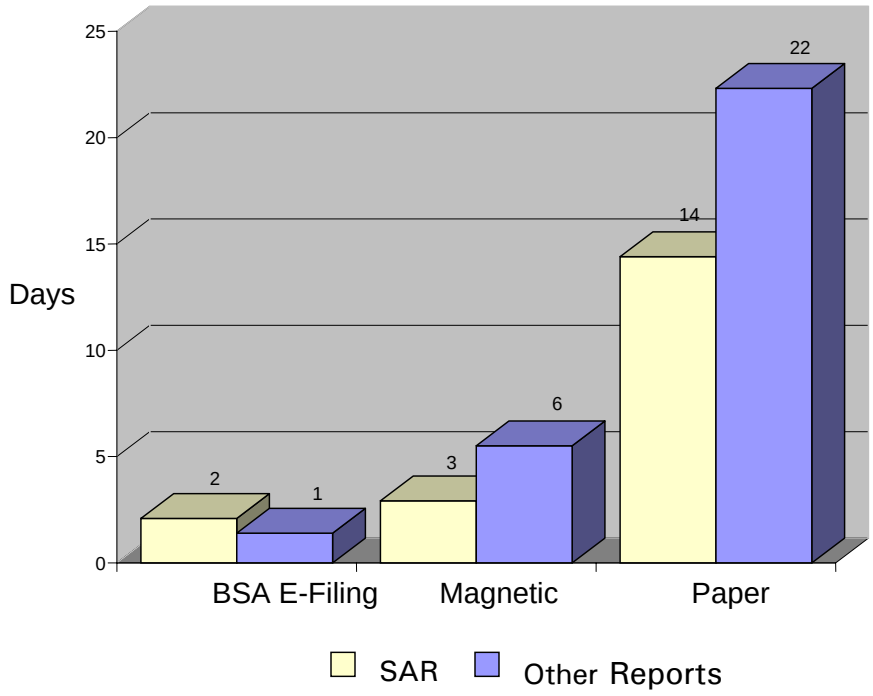
[8] For purposes of this report, magnetic media includes all electronic formats other than BSA E-Filing, including cartridge, tape, or diskette.

accuracy of report data. We found that BSA report processing timeframes varied significantly by filing method.[9]

As shown in Chart 1 below, our analysis of the week of BSA filing data showed that processing of *paper-filed* SARs and other BSA reports (primarily CTRs) took an average of 14 days and 22 days, respectively.[10] The processing of *magnetic media-filed* SARs and other BSA reports took an average of 3 days and 6 days, respectively. In contrast, the processing of BSA E-Filing for BSA reports took 1 to 2 days.[11]

[9] By timeframes, we mean from the point at which the BSA reports were received at IRS-DCC to the point at which the data was entered into BSA databases.
[10] According to IRS-DCC officials, IRS policy requires that paper-filed SARs be processed (entered into the BSA database) within 10 days of receipt by the IRS and other paper-filed BSA reports within 45 days of receipt. BSA reports filed by magnetic media are to be processed within 10 days of receipt.
[11] We found that IRS-DCC processes BSA E-Filing reports within 24 hours; however, data shows 2 days when the filing is received one day and processed the following day.

Chart 1: BSA Report Processing Timeframes from IRS-DCC Receipt to Posting in BSA Databases



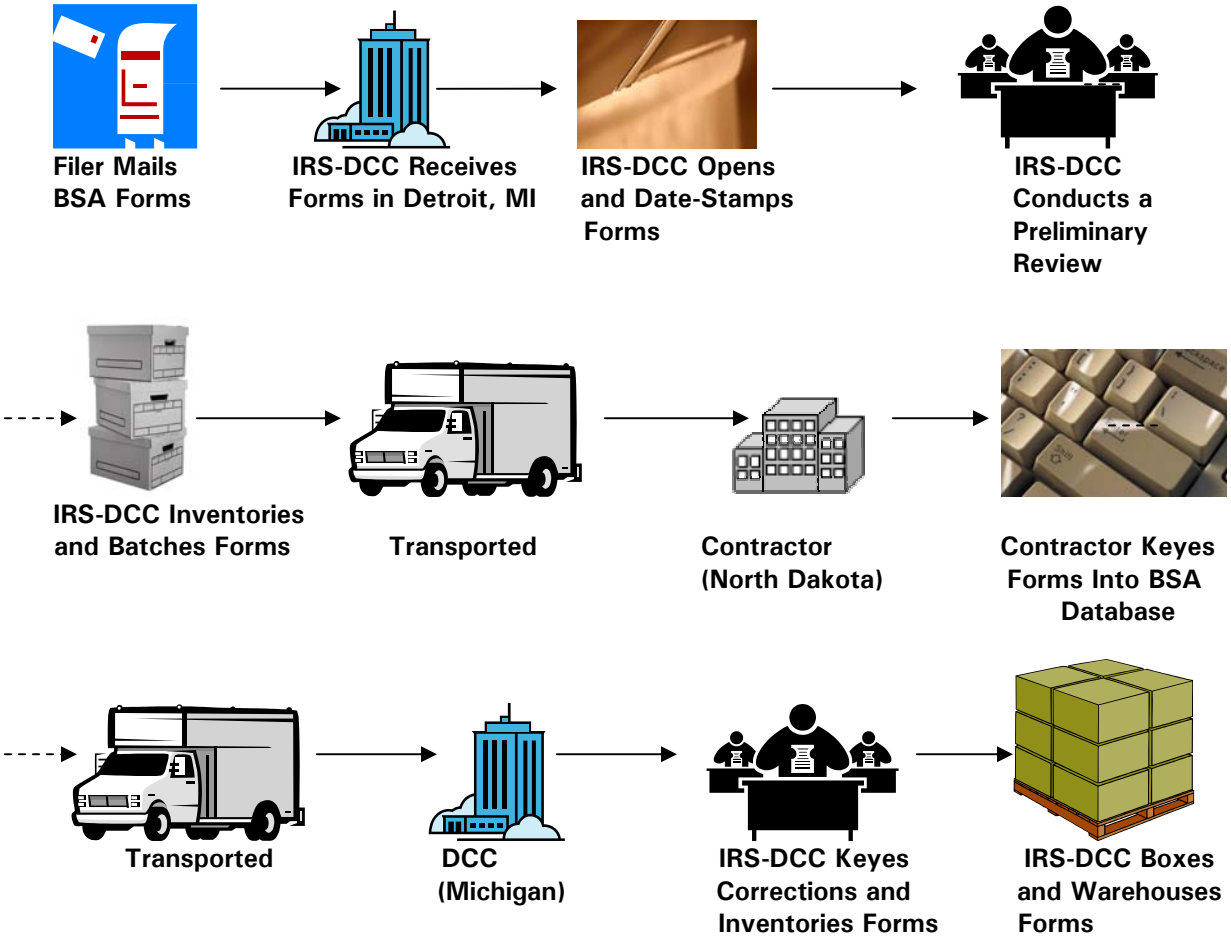
Source: OIG analysis of IRS-DCC Data.

Our analysis showed that BSA E-Filing is the most expedient of the three methods for processing BSA reports. BSA E-Filing reduces the time it takes to process BSA data, thereby making BSA information more quickly available for law enforcement purposes.

It should be noted that processing paper-filed BSA reports is a multi-step process involving work at IRS-DCC and an IRS data-entry contractor in North Dakota. According to IRS-DCC officials, paper reports upon receipt are (1) date-stamped; (2) routed to the appropriate section for a preliminary review; and (3) then inventoried, batched, and transported to the data-entry contractor. There, the data for each form is manually keyed for entry into the BSA databases. The reports are then shipped back to IRS-DCC,

where contact is made with the filing institutions for any necessary corrections. Once corrected, the reports are inventoried, boxed, and forwarded to the warehouse where they are retained for 10 years. The following diagram depicts this process.

Processing of Paper-Filed BSA Forms



Source: OIG-generated based on interviews with IRS-DCC officials.

BSA E-Filing Provides Controls to Improve the Accuracy, Completeness, and Security of BSA Data

Compared to BSA reports filed by paper, filing through BSA E-Filing provides controls to improve the accuracy, completeness, and security of the data entered into BSA databases.

The accuracy and completeness of data is controlled in several ways. All dates and numbers are subjected to edit checks in BSA E-Filing so as to ensure correct format—a user cannot enter an alpha character into a date field or a field where currency or a zip code is required.[12] Also, drop down boxes are provided for certain fields such as federal regulators, countries, or states. Moreover, FinCEN told us that certain information must be entered for the system to accept the submission.

For CTR forms to be transmitted, filers must include the following information:

- individual's last name or organization on whose behalf transaction is conducted;
- amount of transaction: cash in, cash out, date of transaction; and
- the filer's (financial institution) information: name, address, filing officer name.

For SAR forms to be transmitted, the following information must be included:

- name, address, and EIN of financial institution; and
- address of branch office where activity occurred.

If the filer submits a form without this information, the filer receives an error message, must reopen the form and either enter missing information or correct information that failed edit checks.

[12] We obtained information about these features from both FinCEN and the institutions using BSA E-Filing; however, we did not independently test BSA E-Filing to determine if control features in BSA E-Filing performed as described.

To submit the report, the filer must also save (for permanent record) and digitally sign the form prior to submission.

In addition, IRS-DCC returns acknowledgements, via BSA E-Filing, when CTRs are successfully submitted through BSA E-Filing, or when more information is needed. Filers may also check the status of their filings. For SARs, IRS-DCC does not send acknowledgements, but filers can query the system for confirmation that submitted BSA reports were received.

Security is controlled using electronic features to ensure data integrity. First, BSA E-Filing uses digital certification. Second, once digital certification is received, users may download and install software to fill out and digitally sign, where appropriate, the BSA submission.

Filing through BSA E-Filing is Less Costly than Paper Filing

Much of Treasury's cost to process BSA forms is borne by IRS. However, neither FinCEN nor IRS routinely collected auditable cost data for processing paper-filed BSA reports. We were provided with the data FinCEN obtained for cost estimates for BSA data entry and processing. The estimates show that the cost of paper filing is significantly greater than electronic filing using either magnetic media or BSA E-Filing.

Specifically, FinCEN's Assistant Director, Office of Strategic Analysis, provided calendar year 2000 data FinCEN obtained from IRS-DCC regarding the costs for processing paper CTRs. The 2000 data showed costs of approximately $5 million for the keying contractor and around $11.1 million for staff devoted exclusively to paper CTR processing, totaling around $16 million, or about $4 per paper CTR.[13]

[13] As shown in Table 3 on p. 23, as of September 2003 CTRs accounted for most of the paper reports filed, totaling approximately 2.3 million out of 3 million total paper reports, or about 72 percent.

Similar costs were reported by a FinCEN consultant in a May 2003 study of BSA processes and systems. The consultant reported that the paper collection process

> "…involves a $5 million keying contract and $12 million for IRS Small Business Self Employed (SBSE) compliance staff, and uses significant human resources. One hundred and twenty full-time equivalents are employed for paper collection and processing, and another 60 FTE are involved in support, training, and outreach."

In comparison, we obtained cost data from FinCEN that indicated the cost of BSA E-Filing, including development and enhancement activities as well as deployment, operation, and maintenance costs, was $2.5 million in FY 2002 and $2.9 million in FY 2003. Projected costs in FYs 2004 and 2005 were much lower, in the range of $1.5 - $1.7 million. Table 1 below shows FinCEN's obligated costs for BSA E-Filing in FYs 2002 and 2003, and planned costs for FYs 2004 and 2005. The cost per form filed through BSA E-Filing was not available.

Table 1: Obligated and Planned Costs for BSA E-Filing *(in millions)*

	FY 2002	FY 2003	FY 2004	FY 2005
Pilot	$2.275	N/A	N/A	N/A
Development/ Enhancement	0 .150	$1.376	$0.390	$0.500
Deployment/Operation & Maintenance	0 .125	1.562	1.129	1.168
Total	$2.550	$2.938	$1.519	$1.668

Source: OIG presentation of FinCEN data.

Eliminating the use of paper processing could save the $16 million Treasury currently spends annually on paper processing, based on the best available cost estimates.

Finding 2 Few Institutions Use BSA E-Filing Due to Lack of Familiarity and Certain System Limitations

As of October 2003, only 336 institutions, or about 1 percent of the 25,513 institutions filing BSA reports, had enrolled with FinCEN to use BSA E-Filing. Of those, even fewer—210 institutions—actually filed BSA reports using BSA E-Filing, according to our analysis of FinCEN data.

The reasons for not using BSA E-Filing vary. We surveyed a sample of 532 total institutions, with 137 enrolled in BSA E-Filing and 395 non-enrolled, and found that 63 percent of the non-enrolled institutions were unfamiliar with BSA E-Filing. In addition, many enrolled users in our sample identified features of BSA E-Filing that they believed needed to be enhanced to allow easier use of the system. For example, these institutions wanted easier user set-up, digital certification/authentication, and data-entry. Others mentioned that not all required BSA forms can be filed in BSA E-Filing, and suspicious activity alerts are not issued through the system.

FinCEN provided more recent summary data for November 2003 through September 2004 showing the number of BSA E-Filing enrolled institutions each month and the number of BSA forms filed through BSA E-Filing. This data revealed a significant increase in the percentage of BSA forms filed through BSA E-Filing, from about 5 percent to 20 percent; however, there was little change in the number of new enrollees each month.

The Number of Institutions Enrolled with BSA E-Filing is Limited Compared to the Number of BSA Filing Institutions

We analyzed October 2003 data provided by FinCEN, and used that data to select institutions to survey. At the time, the number of institutions enrolled with BSA E-Filing was relatively small. FinCEN data listed only 336 institutions enrolled to use BSA E-Filing, or 1 percent of approximately 25,513 BSA filers. The

majority of the enrolled institutions were banks. Table 2 shows the breakdown of the enrolled institutions by industry type.

Table 2: BSA E-Filing Enrolled Institutions by Industry Type

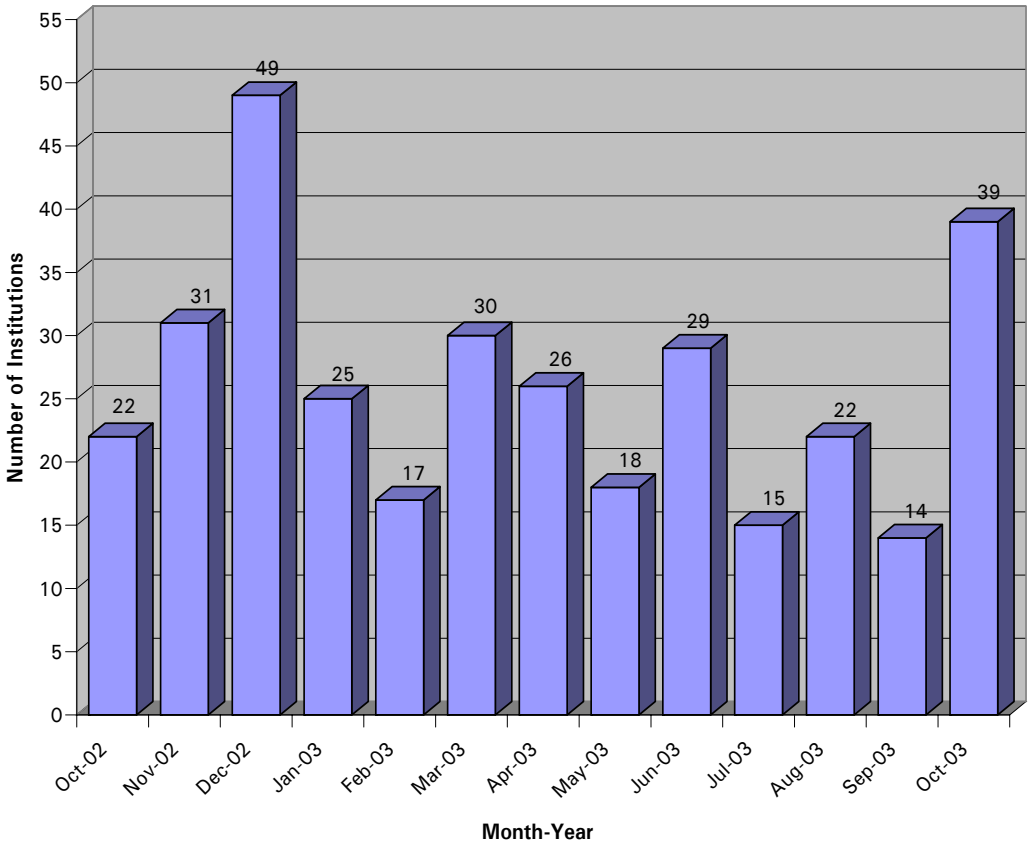
Industry	Institutions Enrolled	Percentage of Total Enrolled
Banks	272	81%
Bank Holding Company	18	5%
MSBs	13	4%
Broker/Dealers	6	2%
Casinos	7	2%
Other or Unknown	20	6%
Total	**336**	

Source: OIG analysis of FinCEN data.

In its efforts to enroll institutions in BSA E-Filing during the first year of the system's implementation, FinCEN had a "managed growth" plan to identify and directly market to the top 1,550 volume filers. FinCEN believed that the most cost savings would be achieved by having these largest filers be the first to implement BSA E-Filing. FinCEN indicated that transitioning the top 1,550 volume filers, responsible for 66 percent of all BSA forms filed, to BSA E-Filing would yield a 20 percent reduction in processing costs. A review of FinCEN data, however, showed that FinCEN was able to enroll only 162 of these volume filers.

As shown in Chart 2, monthly enrollment peaked at 49 in December 2002 and has since ranged between 14 and 39. Through October of calendar year 2003, monthly enrollment averaged about 24 new institutions per month.

Chart 2: BSA E-Filing Enrollment Trend



Source: OIG analysis of FinCEN data.

Recent BSA E-Filing Enrollee Data

Data provided by FinCEN in October 2004 showed no significant increase in the monthly enrollment of institutions in BSA E-Filing. From November 2003 through September 2004 the number of enrolled institutions increased to a total of 560, or about 2 percent of the approximately 25,000 institutions filing BSA reports. From January 2004 through September 2004, the average monthly enrollment was 24, though May 2004 showed a peak of 43 newly enrolled institutions.

The Volume of BSA Reports Filed through BSA E-Filing is Small Compared to Those Filed through Other Methods

Not only is the number of institutions filing through BSA E-Filing limited, the number of BSA reports filed annually through BSA E-Filing was also small in comparison to the total number of BSA reports filed. We found that institutions continue to largely use paper or magnetic media to file their reports.

As part of the survey, we asked institutions about the methods used to file BSA reports. A large number of institutions—both enrolled and non-enrolled institutions—filed BSA reports by paper. Approximately 71 percent of enrolled institutions said they used BSA E-Filing—of which 89 percent were depository institutions. Nonetheless, even BSA E-Filing enrolled institutions also filed BSA reports by other media, often depending on the type of report. Of the BSA E-Filing enrolled institutions, 42 percent indicated they filed BSA reports by paper and 8 percent by magnetic media. With regard to non-enrolled institutions, approximately 93 percent indicated they filed BSA reports by paper—of which 77 percent were depository institutions. Many of the institutions responding used a combination of filing methods.

For the 9-month period ended September 30, 2003, a total of approximately 11 million BSA forms were filed through all media, 29 percent of which were filed by paper. Table 3 below compares the number of paper and electronic BSA filings by report type. (BSA E-Filing reports are included in the electronic category.)

Table 3: Number of Posted BSA Filings by Report Type & Filing Method as of September 30, 2003 (*in thousands)*

Report Type	Paper Filings	Electronic Filings	Total Filed
CTR	2,265	7,564	9,829
CTRC	351	--	351
SAR	92	117	209
SARC	4	--	4
SAR-MSB	106	8	114
SAR-SF	3	--	3
8300	100	--	100
FBAR	181	--	181
DEP	44	11	55
MSB	5	--	5
Total Filings:	**3,151**	**7,700**	**10,851**
Percent Paper:	**29%**		

Source: OIG presentation of FinCEN data.

FinCEN recognizes the need to have more institutions filing through BSA E-Filing. The Director of FinCEN, in an April 2004 testimony, acknowledged that the current number of forms filed through BSA E-Filing remained proportionately quite small.[14] At the time, the number filed through BSA E-Filing represented approximately 5 percent of all BSA reports filed. He directed FinCEN's BSA E-Filing team to reach out to the financial industry and determine what needed to be done to convince industry members to file electronically.

Recent Volume Data

Since the Director's comments, FinCEN has achieved a notable increase in the number of BSA forms filed through BSA E-Filing. Specifically, FinCEN data showed that during September 2004, approximately 220,000 BSA forms were filed through the system,

[14] Statement of William J. Fox, Director, Financial Crimes Enforcement Network, United States Treasury, before the Senate Committee on Banking, Housing and Urban Affairs, on April 29, 2004.

representing about 20 percent of the approximately 1 million forms filed that month.

Most Institutions were Not Familiar with BSA E-Filing

Despite FinCEN's notable progress in increasing the percentage of BSA reports filed through BSA E-Filing, the results of our survey indicate that many institutions are still unaware that the system exists. In this regard, we surveyed 532 institutions and found that 63 percent of the respondents from the 395 non-enrolled institutions in our sample, or an estimated 15,941[15] from the universe of 25,303 filers of BSA reports, said they were not familiar with BSA E-Filing. Table 4 identifies the 213 responding institutions by type.

Table 4: Surveyed Non-Enrolled Institutions Not Familiar with BSA E-Filing by Institution Type

Institution Type	Number of Responses
Depository Institutions	162
MSBs	37
Casinos	4
Securities and Futures Dealers	2
Other	8

Source: OIG analysis of survey response data.

Regarding enrolled institutions, Table 5 shows that the survey revealed that institutions learned about BSA E-Filing through various sources.

[15] Using a 95% confidence interval with an expected error rate of plus or minus 5 percent, the number of institutions ranges from 15,144 to 16,738. See Appendix 1 for more information.

Table 5: Sources through which Enrolled Institutions Surveyed Became Familiar with BSA E-Filing

Source	Response Rate*
FinCEN Outreach	64%
Trade Associations	18%
Office of the Comptroller of the Currency	10%
Federal Deposit Insurance Corporation	7%
Federal Reserve Bank	4%
Office of Thrift Supervision	3%
Internal Revenue Service	3%
Securities and Exchange Commission	1%
Other**	18%

Source: OIG analysis of survey response data.
*Total exceeds 100 percent because institutions provided multiple answers in response to the question.
** "Other" sources typically included state regulators.

Enrolled Institutions – Generally Satisfied with BSA E-Filing but Certain Enhancements Could Encourage Greater Participation

Most enrolled institutions we surveyed were satisfied with BSA E-Filing. The institutions generally found BSA E-Filing easy to use and were satisfied with FinCEN's technical support. However, a number of the enrolled institutions identified limitations or drawbacks associated with BSA E-Filing. Many believed changes were needed, and offered specific suggestions.

Enrolled Institutions are Satisfied with BSA E-Filing

Overall, most of the BSA E-Filing enrolled institutions responding to our survey were satisfied with the system, found it easy to use, and believed it offered a variety of benefits. Approximately 89 percent of the enrolled institutions were either "Very Satisfied" (47 percent) or "Satisfied" (42 percent) with BSA E-Filing. Another 9 percent of the institutions were "Somewhat Satisfied." All of the

institutions enrolled with and using BSA E-Filing indicated they would continue to use the system.

We asked the enrolled institutions what the benefits were to using BSA E-Filing. As shown in Table 6, "Enhanced Record Keeping and Submission Management" was the benefit most often identified.

Table 6: Benefits to Using BSA E-Filing per Enrolled Institutions Surveyed

Benefit	Response Rate
Enhanced Record Keeping and Submission Management	84%
Time Savings	75%
Enhanced Accuracy of Form Completion	66%
Cost Savings	65%
Facilitated Data Storage	51%
No Benefit	0%

Source: OIG analysis of survey response data.

With regard to the "Cost Savings" benefit, approximately 66 percent of the institutions identified "Internal Routing and Shipping" and/or "Office Supplies Used to Manually File BSA Reports" as the specific costs saved, and 32 percent reported cost savings associated with "Producing or Handling Disks." Very few institutions, however, identified specific dollar amounts saved.

The survey results also revealed that 89 percent of enrolled institutions found BSA E-Filing "Very Easy" (55 percent) or "Somewhat Easy" (34 percent) to use. As shown in Table 7, institutions enrolled with BSA E-Filing also indicated a high-level of satisfaction with FinCEN's BSA E-Filing technical assistance.

Table 7: Satisfaction with BSA E-Filing Technical Assistance Received

Level of Satisfaction	Response Rate
Very Satisfied	58%
Satisfied	30%
Somewhat Satisfied	6%
Somewhat Dissatisfied	3%
Very Dissatisfied	1%
No Opinion	3%

Source: OIG analysis of survey response data.
Notes: (1) Those institutions which indicated dissatisfaction with BSA E-Filing technical assistance did not offer any specific information on the nature or causes of their dissatisfaction. (2) Total exceeds 100 percent due to rounding.

Limitations or Drawbacks to BSA E-Filing

We asked the enrolled institutions surveyed if there were limitations or drawbacks associated with the use of BSA E-Filing. About 16 institutions, or 19 percent, answered yes. Of those, approximately 47 percent indicated they had concerns with "Employee Training." Another 13 percent of the respondents indicated "Required BSA Forms Unavailable," and 7 percent identified "Confirmation of Data Transmissions Not Always Received."

Survey results also suggested that BSA E-Filing might be somewhat difficult to implement for many enrollees. We asked institutions how they would rate BSA E-Filing in terms of the overall ease of implementation. Approximately 36 percent of the enrolled institutions rated BSA E-Filing as "Somewhat Difficult" (28 percent), "Difficult" (7 percent) or "Very Difficult" (1 percent), while 61 percent rated implementation as either "Somewhat Easy" (28 percent) or "Very Easy" (33 percent). Approximately 27 percent of the enrolled institutions offered suggestions to make BSA E-Filing easier to implement, most often citing the need for an easier user set-up and digital certification/authentication process.

We asked FinCEN about efforts to address the digital certification process, and were advised that FinCEN plans to explore technical options.

Enrolled Institutions Offer Suggestions for Improving BSA E-Filing

We asked the surveyed institutions if they felt changes were needed to improve BSA E-Filing. Approximately 41 percent of the enrolled institutions responding felt changes to improve the system were needed. Suggested improvements included:

- enhancing BSA report forms to allow easier data entry or editing;
- increasing the size of certain fields to allow the input of more text;
- adding access and view capabilities of completed BSA reports;
- adding the ability to extract data – for example, a list of SARs filed within a certain date range, or name-search capability;
- removing drop down boxes in order to directly type into the fields;[16] and
- allowing the user to save a template for future entries.

Non-Enrolled Institutions **– Misconceptions and Unfamiliarity with BSA E-Filing May be Hindering Greater Utilization**

BSA E-Filing is not used to file BSA reports by approximately 53 percent of non-enrolled institutions because of "Low BSA Report Volume" (see Table 8 for the number of those institutions responding by institution type), and by approximately 49 percent of non-enrolled institutions because of "Insufficient BSA E-Filing Knowledge" (see Table 9 for the number of those institutions responding by type).

[16] In general, drop down menus provide for more consistent information; however, respondents suggested alternate methods for entering data into BSA E-Filing.

Table 8: Surveyed Non-Enrolled Institutions Not Using BSA E-Filing because of "Low BSA Report Volume" by Institution Type

Institution Type	Number of Responses
Depository Institutions	141
MSBs	22
Casinos	3
Securities and Futures Dealers	1
Other	4

Source: OIG analysis of survey response data.

Table 9: Surveyed Non-Enrolled Institutions Not Using BSA E-Filing because of "Insufficient BSA E-Filing Knowledge" by Institution Type

Institution Type	Number of Responses
Depository Institutions	120
MSBs	26
Casinos	4
Securities and Futures Dealers	1
Other	9

Source: OIG analysis of survey response data.

Approximately 7 percent of the non-enrolled institutions do not use BSA E-Filing because of the "Lack of Internet Capabilities," 6 percent because BSA E-Filing Does Not Fit My Business Process, and 3 percent because of "Cost." Approximately 1 percent indicated BSA E-Filing is Difficult to Use. Other reasons most often cited by non-enrolled institutions for not using BSA E-Filing included (broadly categorized) unfamiliarity with BSA E-Filing, and systems were already in place to generate BSA reports.

When the non-enrolled institutions were asked if they intended to use BSA E-Filing in the near future, only about 16 percent indicated

"Yes," while 23 percent indicated "No," and 62 percent had "No Opinion."

Additional Outreach Could Increase the Number of Users

The results of our survey, which found a large number of institutions unfamiliar with BSA E-Filing, coupled with the limited number of institutions enrolled with and using BSA E-Filing, indicate a need for FinCEN to conduct additional outreach to potential users.

Table 10 identifies the types and topics of outreach suggested by enrolled institutions that responded to the survey.

Table 10: Types and Topics of Outreach Suggested by Enrolled Institutions

Outreach	Response Rate
Type	
Enhanced Content on the BSA E-Filing Website	70%
User Groups	49%
Presentation by FinCEN Staff at Industry Conferences	43%
Topic	
BSA E-Filing Overview (Refresher for Existing Users)	65%
Future Enhancements Overview	64%
General User Training	57%
User Feedback to Include Problem Discussions and Suggestions for System Enhancements	53%
Supervisor User Training	38%

Source: OIG analysis of survey response data.

Table 11 identifies the types and topics of outreach suggested by the non-enrolled institutions that responded to the survey.

Table 11: Types and Topics of Outreach Suggested by Non-Enrolled Institutions

Outreach	Response Rate
Type	
Enhanced Content on the BSA E-Filing website	50%
Presentation by FinCEN Staff at Industry Conferences	35%
User Groups	21%
Topic	
General User Training	74%
Supervisor User Training	32%
BSA E-Filing Overview (Refresher for Existing Users)	25%
User Feedback to Include Problem Discussions and Suggestions for System Enhancements	21%
Future Enhancements Overview	15%

Source: OIG analysis of survey response data.

Additional survey results regarding the use of BSA E-Filing are available in Appendix 3.

FinCEN has the Authority to Mandate BSA E-Filing Usage

In Finding 1 we discussed how BSA E-Filing reduced the cost to the federal government, and reduced the risk of information being compromised when BSA reports are filed through BSA E-Filing instead of by paper. During our audit, we discussed the possibility of mandating BSA E-Filing with FinCEN's Associate Director, Regulatory Policy and Programs Division. The Associate Director told us that BSA E-Filing is the most practical means for filing BSA reports, and that FinCEN is open to exploring such a requirement. The Associate Director also told us that although FinCEN had the regulatory authority to impose electronic filing through BSA E-Filing, several impediments to a universal electronic filing requirement exist which first need further study. For example, smaller businesses subject to the BSA may not currently have access to the Internet. Other challenges include potential filers that are non-English speaking and resistance by large filers that

have already invested in their own BSA reporting systems. In this regard, the Associate Director indicated that FinCEN may consider a phased approach to mandating electronic filing.

Conclusion

In conclusion, while we found that BSA E-Filing is an effective system for filing BSA reports and our survey results indicate that BSA E-Filing users are generally satisfied with the system, the number of users and volume of reports remains low. One unanticipated result of our survey, given that BSA E-Filing has been operational for over a year, was the relatively large number of respondents, including many banks, who indicated that they were unaware of BSA E-Filing or its functionality. Accordingly, increased and more targeted outreach efforts, both by FinCEN directly and through its regulatory partners, is warranted to encourage greater usage. The survey results also revealed a number of areas where the system could be improved.

Ultimately, to maximize the benefits of BSA E-Filing to law enforcement and reduce costs associated with processing paper-filed BSA reports, we believe FinCEN should look to mandate use of the system going forward. We recognize, however, this may be a longer-term initiative as FinCEN assesses certain technical issues and impediments raised by current users and non-users.

Recommendations

The FinCEN Director should:

1. Increase outreach efforts to ensure that institutions are educated on the benefits of using BSA E-Filing and are encouraged to enroll with and use BSA E-Filing to file BSA reports.

   Management Response FinCEN concurred with the recommendation. The bureau has already begun to expand

outreach and, as an example, its Regulatory Policy and Programs Division will include a short presentation on BSA E-Filing at conferences with the financial industry. FinCEN's priority will be to expand outreach to the top 1550 magnetic/paper BSA report filers which the bureau believes will allow it to reach the goal of 90 percent electronic filing by 2008. FinCEN plans to complete an outreach plan to target these filers by June 2005.

OIG Comments FinCEN's planned corrective action meets the intent of our recommendation.

2. Evaluate and select for implementation enhancements to BSA E-Filing that will encourage enrollment with and use of the system. Enhancements could include, but not be limited to, simplifying user setup and digital certification.

   Management Response FinCEN concurs with the recommendation. FinCEN stated it has begun a complementary effort to examine the technology enhancements to BSA E-Filing required to assure that the system could meet future electronic filing volume. The most significant of these enhancements is a *secure direct e-file transfer enhancement* that will allow high volume filers to file directly with the BSA E-Filing system. This enhancement is expected to bring filing volumes near 40 percent by the end of the fiscal year. In addition, FinCEN plans to perform a *usability analysis* of the BSA E-Filing system to review and select the best additional improvements to the system based on time and budget constraints. FinCEN also indicated the bureau has already expanded the types of forms available to be filed on the system. FinCEN intends to complete its plan for implementation of system enhancements by October 2005.

   OIG Comments FinCEN's plan for enhancing the BSA E-Filing system meets the intent of our recommendation.

3. Assess the feasibility and advisability of mandating electronic filing of BSA reports, including analyzing the types of filers for which mandating electronic filing would be most appropriate and practical. Based on this analysis, establish a timeframe for amending, as appropriate, any corresponding BSA regulations.

   Management Comment FinCEN concurs with the recommendation. FinCEN will assess the feasibility and advisability of mandating the use of BSA E-Filing and develop a recommended course of action. FinCEN plans to complete its assessment by September 2005.

   OIG Comment FinCEN's planned corrective action meets the intent of our recommendation.

* * * * * *

We would like to extend our appreciation to FinCEN for its cooperation and courtesies extended to our audit staff during the audit. If you have any questions, please contact me at (617) 223-8640 or Sharon Torosian, Audit Manager, at (617) 223-8642. Other major contributors to the report were Mark Ossinger, Auditor-in-Charge, and Brian Worth, Auditor, of our Eastern Field Audit Office in Boston, Massachusetts.

/s/
Donald P. Benson
Director, Eastern Field Audit Office

The objectives of this audit were to determine (1) if BSA E-Filing is an effective mechanism for filing BSA reports, and (2) how many institutions are using BSA E-Filing to file BSA reports, and, for those not using BSA E-Filing, the reasons why. To accomplish our objectives, we conducted a survey of BSA E-Filing enrolled and non-enrolled institutions[17] and interviewed FinCEN officials involved with BSA E-Filing as well as officials from financial institutions and bank associations. We also interviewed officials at the IRS-DCC, observed BSA processing operations, and analyzed BSA report filing data provided. The audit scope and methodology is explained in more detail below.

Survey

We surveyed by mail a statistical sample of 137 BSA E-Filing enrolled institutions selected from the 336 institutions enrolled with BSA E-Filing on October 29, 2003. We received responses from 121 of the 137 (88 percent) enrolled institutions, of which approximately 85 (70 percent) actually used BSA E-Filing to file BSA reports. The results of the sampling of 137 institutions are projectable to the universe of the 336 enrolled institutions with a 95 percent level of confidence and an expected error rate of plus or minus 5 percent. The survey instrument used for the enrolled institutions is presented in Appendix 4.[18]

We also surveyed by mail a statistical sample of 395 institutions that were not enrolled with BSA E-Filing. The 395 institutions

[17] The institutions surveyed were selected from electronic data files provided by FinCEN. The electronic data files were to include, at the request of OIG, all institutions filing BSA reports with the government at October 29, 2003 by either paper or electronic means. The reliability of the electronic data provided by FinCEN was not tested, substantiated, or otherwise determined by OIG except to indirectly substantiate the BSA E-Filing enrollee and non-enrollee data through survey responses categorized as either BSA E-Filing users or non-users.

[18] Comments and suggestions offered by the institutions in response to the survey are not detailed in either Appendix 4 or 5 but have been included in the body of this report on a selected basis. All comments and suggestions received from the institutions surveyed were provided to FinCEN prior to the issuance of this report.

were selected from 25,303[19] BSA filing institutions identified as not being enrolled with BSA E-Filing as of October 29, 2003. We received responses from 343 (87 percent).[20] The results of the sampling of the 395 institutions are projectable to the 25,303 non-enrolled institutions with a 95 percent level of confidence interval and an expected error rate of plus or minus 5 percent. The survey instrument used for the non-enrolled institutions is presented in Appendix 5.

All of the institutions surveyed were subject to BSA filing requirements and had a history of filing BSA reports. The survey results are subject to sampling errors and other potential types of errors associated with surveys including, but not limited to, non-responses and question misinterpretation.

Interviews

We interviewed FinCEN officials to obtain information regarding BSA E-Filing.[21] In addition, we interviewed officials from two Boston, Massachusetts, area financial institutions regarding their BSA filings and knowledge of and use of BSA E-Filing.[22] We also interviewed representatives from both the American Bankers Association and the Independent Community Bankers of America to obtain industry and institution perspectives on BSA E-Filing.

[19] FinCEN provided listings, segregated by BSA report types, that when combined identified a total of 25,513 BSA filing institutions at October 29, 2003. From this file we eliminated 210 institutions that had used BSA E-Filing to file reports, resulting in a total of 25,303 non-BSA E-Filing using institutions.
[20] The survey responses included 14 institutions that were not identified as enrolled institutions when the sample was initially selected but responded to certain questions numbered 10 through 24 as enrolled institutions, perhaps because enrollment with BSA E-Filing occurred after our sample selection. We did not use the responses from these 14 institutions in our analysis of the results of survey questions 10 through 24 (see Appendix 5).
[21] We did not independently transmit BSA reports through BSA E-Filing to review or test system features and controls.
[22] The Boston area institutions contacted were not part of a representative sample of the universe of BSA filers.

DCC Visit and Data Analysis

We conducted an onsite visit to the IRS-DCC to obtain an understanding of BSA report processing, including the time-frames for processing the reports filed using the different methods (paper, magnetic media, and BSA E-Fliling). We obtained an overview of controls in place for the completeness and accuracy of BSA report data. The scope of our work at IRS-DCC did not include evaluating or testing the controls identified at either IRS-DCC or its keying contractor in North Dakota.

Our work at IRS-DCC also included an analysis of one week's worth of BSA report filings obtained from officials at that location. Using data extraction and analysis software, we selected and examined approximately 110,000 electronic BSA records that were filed during January 5, 2004, through January 9, 2004, to determine the length of time required to process the reports of various types from the point of receipt at IRS-DCC to posting in BSA databases. An IRS-DCC official indicated this period represented a typical week of BSA filings. The records consisted, in part, of approximately 91,500 CTR-related reports and 12,600 SAR-related reports.

The scope of the audit included neither an assessment of the accuracy of BSA filings nor a review of BSA E-Filing security. Assessing the extent to which BSA E-Filing expedites the availability of BSA data for law enforcement purposes was also beyond the scope of our audit.

We conducted our audit work from October 2003 through June 2004 in accordance with generally accepted government auditing standards.

BSA Report	Description
Currency Transaction Report (CTR) (FinCEN Form 104), replaces Form 4789 effective December 1, 2003*	Depository institutions for transactions exceeding $10,000.
Currency Transaction Report by Casinos (CTRC) (FinCEN Form 103)*	Casinos for transactions exceeding $10,000.
Currency Transaction Report by Casinos – Nevada (CTRC-N) (FinCEN Form 103-N)	Nevada casinos for transactions exceeding $10,000.
Suspicious Activity Report for Depository Institutions (SAR) (TDF 90 – 22.47)*	Depository institutions for suspicious financial transactions.
Suspicious Activity Report by the Securities and Futures Industries (SAR-SF) (FinCEN Form 101)*	Securities and futures industries for suspicious financial transactions.
Suspicious Activity Report by Casinos and Card Clubs (SAR-C) (FinCEN Form 102), replaces Form TD F 90 - 22.49*	Casinos and card clubs for suspicious financial transactions.
Suspicious Activity Report by Money Services Business (SAR-MSB) (TD F 90-22.56)*	Money transmitters and issuers, sellers and redeemers of traveler's checks and money orders for suspicious financial transactions.
Report of International Transportation of Currency or Monetary Instruments (CMIR) (FinCEN Form 105)	Persons to report transportation into or out of the U.S. of currency and certain other monetary instruments in excess of $10,000.
Report of Cash Payments over $10,000 Received in a Trade or Business (FinCEN Form 8300)	Each person engaged in a trade or business who, in the course of that trade or business, receives more than $10,000 in cash in one transaction or in two or more related transactions.
Report of Foreign Bank and Financial Accounts (FBAR) (TD F 90 – 22.1)	Persons to make an annual report of financial interest in a foreign account if the aggregated value of the foreign financial account exceeds $10,000 at any time during the calendar year.
Designation of Exempt Person (DEP)(TD F 90 – 22.53)	Depository institution customers with routine transactions who qualify for exemption from filing CTRs.
Registration of Money Service Business (TD F 90 – 22.55)	Each money services business, except one that is a money services business solely because it serves as an agent of another money services business must register.

Source: OIG presentation of FinCEN data.
*BSA reports available through BSA E-Filing.

Additional Survey Results

This section includes additional information from our survey of enrolled and non-enrolled institutions that was not included in the body of the report. We include it here to provide additional detail about the use or non-use of BSA E-Filing.

Profile of BSA E-Filing Enrolled and Non-Enrolled Institutions

The percentages of enrolled and non-enrolled institutions by the type of institution responding to our survey are presented in the following table:

Institution	Enrolled Institutions*	Non-Enrolled Institutions*
Banks	79%	55%
Credit Unions	13%	22%
Casinos	4%	2%
Securities and Futures Dealers	3%	1%
MSBs	1%	16%
Other**	2%	7%

Source: OIG analysis of survey response data
*Total exceeds 100 percent because institutions provided multiple answers in response to the question.
** "Other" sources typically included institutions operating a money services business but did not designate themselves as an MSB. For example, these institutions described themselves as check cashing stores or as Western Union agents.

CTRs and SARs were the BSA report types most often filed by the responding institutions. Approximately 97 percent of the enrolled institutions and 98 percent of the non-enrolled institutions indicated that CTRs were filed. Approximately 99 percent of the enrolled and 96 percent of the non-enrolled institutions indicated that SARs were filed.

The following tables present a profile of the responding institutions based on various categories, as noted:

Number of CTRs Filed

Number	Enrolled Institutions	Non-Enrolled Institutions
0-1,000	63%	89%
1,001-5,000	18%	7%
5,001-10,000	5%	1%
10,001-50,000	5%	2%
More than 50,000	9%	2%

Source: OIG analysis of survey response data.

Number of SARs Filed

Number	Enrolled Institutions	Non-Enrolled Institutions
0-10	46%	79%
11-20	16%	10%
21-30	4%	4%
More than 30	35%	9%

Source: OIG analysis of survey response data.

CTR Filing Frequency

Frequency	Enrolled Institutions	Non-Enrolled Institutions
By Transaction	55%	76%
Weekly	23%	13%
Monthly	1%	3%
Other	22%	11%

Source: OIG analysis of survey response data.

SAR Filing Frequency

Frequency	Enrolled Institutions	Non-Enrolled Institutions
By Transaction	80%	94%
Weekly	8%	3%
Monthly	6%	2%
Other	10%	3%

Source: OIG analysis of survey response data.

Forms Filed through BSA E-Filing

We asked the institutions surveyed about the purposes for using BSA E-Filing. The survey results revealed that BSA E-Filing is used to file CTRs and SARs by approximately 77 percent and 79 percent of the enrolled institutions, respectively.

Reasons why Enrolled Institutions were Not Using BSA E-Filing

With regard to enrolled institutions, 44 institutions responded as to why BSA E-Filing was not used. Approximately 30 percent of those institutions indicated BSA E-Filing is Difficult to Use, while 16 percent indicated "Low BSA Report Volume" or Insufficient BSA E-Filing Knowledge. In addition, roughly 7 percent of the institutions indicated that BSA E-Filing was not used because BSA E-Filing Does Not Fit My Business Process, and 2 percent because of "Lack of Internet Capabilities" or "Cost." Other reasons most often cited by the institutions for not using BSA E-Filing included systems that are already in place to generate BSA reports, setup is too time consuming and cumbersome, and it is difficult and complicated to get started and to use. When the enrolled institutions were asked if they would use BSA E-Filing in the near future, approximately 67 percent of the 39 respondents indicated "Yes" while 10 percent indicated "No" and 23 percent had "No Opinion."

BSA E-Filing Not Used for All Filings

Survey results indicated that approximately 64 percent of enrolled institutions used BSA E-Filing for 100 percent of BSA filings, while many used the system for less than 100 percent of their filings. Twenty-eight institutions using BSA E-Filing for less than 100 percent of BSA filings explained why. Preference for filing CTRs or SARs manually was the explanation most often provided (approximately 36 percent). Unfamiliarity with a particular BSA report available in BSA E-Filing, or the need for training to file a report was also identified (roughly 11 percent). Some respondents identified batching issues, or that internal systems were in place to generate the particular BSA reports.

QUESTIONNAIRE
FILING OF BANK SECRECY ACT REPORTS

Control No.

Name of Institution or Organization: _____
Federal Employer Identification No.: _____
Official Completing Questionnaire: _____
Title: _____
Address: _____
_____
Telephone Number: _____
Questionnaire Completion Date: _____

The Treasury Office of Inspector General (OIG) is conducting a review of the Patriot Act Communication System (PACS), and your responses to this questionnaire will be of great help to us in our evaluation of this new system. Please respond to the following questions.

1. Is your institution or organization required to file Bank Secrecy Act (BSA) reports with the federal government?

N=121 (N=The number of institutions responding to the survey question)

99.2% YES
.8% NO

A. If yes, what types of BSA reports are filed? *(Check all that apply)*

N=120

93.3% Currency Transaction Report (CTR)
3.3% CTR-Casino
94.2% Suspicious Activity Report (SAR)
3.3% SAR by Casinos and Card Clubs
5.8% SAR by Securities Firms and Futures Industries
.8% SAR by Money Service Business
.8% Other *(briefly explain)*

_____
_____

If yes, please go to question 2.

B. If no, please state the reason.
N=1
_____
_____

If no, it is not necessary to proceed with this questionnaire.

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2. What is your institution or organization type?

N=119

79.0%	Bank (Asset Size $_____)
12.6%	[Credit Union]
4.2%	Casino
.8%	Money Services Business (MSB)
3.4%	Securities and Futures
2.5%	Other *(briefly explain)*

_____
_____

3. What federal regulatory agency has oversight of your institution or organization? *(Check all that apply)*

N=119

31.1%	Federal Deposit Insurance Corporation (FDIC)
8.4%	Office of Thrift Supervision (OTS)
32.8%	Office of the Controller of Currency (OCC)
17.6%	Federal Reserve Bank (FRB)
7.6%	Securities and Exchange Commission (SEC)
6.7%	Internal Revenue Service (IRS)
12.6%	[National Credit Union Administration (NCUA)]
7.6%	Other *(please identify)*

_____
_____

0%	None

4. Does your institution or organization file Currency Transaction Reports (CTRs)?

N=120

96.7%	YES
3.3%	NO If no, please go to question 5.

A. If yes, approximately how many CTRs are filed by your institution or organization on a yearly basis?

N=112

62.5%	0 – 1,000
17.9%	1,001 – 5,000
5.4%	5,001-10,000
5.4%	10,001-50,000
8.9%	50,001 or Greater

B. If yes, how often does your institution or organization file CTRs?

N=112

54.5%	Transaction by Transaction Basis
23.2%	Weekly

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.9% Monthly
22.3% Other *(briefly explain)*

_____

_____

5. Does your institution or organization file Suspicious Activity Reports (SAR)?

N=120

99.2% YES
.8% NO If no, please go to question 6.

A. If yes, approximately, how many SARs are filed by your institution or organization on a yearly basis?

N=115

46.1% 0 – 10
15.7% 11 – 20
3.5% 21 – 30
34.8% 31 of Greater

B. If yes, how often does your institution or organization file SARs?

N=116

80.2% As Suspicious Activity is Identified
7.8% Weekly
6.0% Monthly
10.3% Other (*briefly explain)*

_____

_____

6. Is your institution or organization familiar with the PACS?

N=120

98.3% YES
1.7% NO If no, please go to question 7.

A. If yes, to what extent is your institution or organization familiar with PACS?

N=118

43.2% Very Familiar
35.6% Familiar
19.5% Somewhat Familiar
0% Somewhat Unfamiliar
1.7% Very Unfamiliar

B. How did your institution or organization become familiar with PACS? *(Check all that apply)*

N=111

18.0% Trade Association
64.0% Financial Crimes Enforcement Network (FinCEN) outreach

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7.2%	Federal Deposit Insurance Corporation (FDIC)
2.7%	Office of Thrift Supervision (OTS)
9.9%	Office of the Controller of Currency (OCC)
3.6%	Federal Reserve Bank (FRB)
.9%	Securities and Exchange Commission (SEC)
2.7%	Internal Revenue Service (IRS)
18.0%	Other *(briefly explain)*

7. What method does your institution or organization currently use to file BSA reports with the federal government? *(Check all that apply)*

N=120

41.7%	Manual (Paper)
8.3%	Magnetic Tape
70.8%	PACS
10.8%	Other *(briefly explain)*

8. If your institution or organization does not currently use PACS to file BSA reports, what is the reason why it is not used? *(Check all that apply)*

N=44

2.3%	Lack of Internet Capabilities
29.5%	PACS is Difficult to Use
15.9%	Low BSA Report Volume
2.3%	Cost
15.9%	Insufficient PACS Knowledge
6.8%	PACS Does Not Fit My Business Process
63.6%	Other *(comments)*

A. What changes would you suggest be made to PACS before your institution or organization would consider using PACS? *(Briefly explain)*
N=44

(N=23)

No Opinion *(N=21)*

9. If your institution or organization does not currently use PACS to file BSA reports, does your institution or organization intend to use PACS in the near future? If yes, approximately when?

N=39

66.7%	YES
10.3%	NO
23.1%	No Opinion

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If your institution or organization is a PACS user, please go on to question 10. If your institution or organization does not currently use PACS, please go to question 25 and proceed.

10. When did your institution or organization begin using PACS?

N=83

MONTH _____ YEAR _____

11. For what purposes is PACS used by your institution or organization? *(Check all that apply)*

N=86

76.7% CTR Filings
79.1% SAR Filings
19.8% Communication with FinCEN
2.3% Other *(briefly explain)*

_____
_____

12. Does your institution or organization use PACS to communicate with FinCEN?

N=82

40.2% YES
59.8% NO

A. If yes, how effective is PACS for communicating with FinCEN?

N=35

25.7% Very Effective
42.9% Effective
11.4% Somewhat Effective
5.7% Somewhat Ineffective
0% Very Ineffective
14.3% No Opinion

13. Does your institution or organization use PACS for 100% of BSA report filings?

N=85

63.5% YES
36.5% NO

A. If no, what is the approximate percentage of filings through PACS and other methods?

N=30

63.2% PACS
34.7% Manual (Paper)
26.0% Magnetic Tape
43.0% Other *(briefly explain)*

_____
_____

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B. If no, please briefly explain why PACS is not used for 100% of BSA filings?
N=28

C. Do you have any suggested changes to PACS that would increase the percentage of filings by your institution or organization through the system?
N=15

14. How would your institution or organization rate PACS in terms of the overall ease of implementation? If difficult, briefly explain.

N=85

1.2%	Very Difficult
7.1%	Difficult
28.2%	Somewhat Difficult
28.2%	Somewhat Easy
32.9%	Very Easy
1.2%	No Opinion

Comments:

A. Does your institution or organization have any suggestions to make PACS easier to implement? If yes, briefly explain.

N=73

27.4%	YES
69.9%	NO
2.7%	[Explanation Only]

15. Overall, does your institution or organization find PACS easy to use?

N=83

90.4%	YES
4.8%	NO
4.8%	No Opinion

A. How would your institution or organization rate PACS in terms of ease of use? If difficult, briefly explain.

N=83

0%	Very Difficult
0%	Difficult
8.4%	Somewhat Difficult
33.7%	Somewhat Easy
55.4%	Very Easy
2.4%	No Opinion

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B. Does your institution or organization have any suggestions to make PACS easier to use? If yes, briefly explain.

N=71

36.6% YES
63.4% NO

16. What are the benefits to your institution or organization in using PACS? *(Check all that apply)*

N=85

0% No Benefit
75.3% Time Savings
64.7% Cost Savings
50.6% Facilitate Data Storage
65.9% Enhanced Accuracy of Form Completion
83.5% Enhanced Record Keeping and Submission Management
2.4% Other *(briefly explain)*

A. If cost savings benefit, what are the types of costs saved? *(Check all that apply and briefly explain)*

N=59

66.1% Internal Routing and Shipping
32.2% Producing or Handling Disks
66.1% Office Supplies Used to Manually File BSA Reports
15.3% Other *(briefly explain)*

B. If cost savings benefit, has the actual savings per BSA form filed been calculated?

N=57

7.0% YES
93.0% NO

1. If yes, what is the approximate savings per BSA form filed?

N=5

20.0% Less than $0.50
40.0% $0.50 - $1.50
0% $1.51 - $2.50
0% $2.51 - $3.50
20.0% $3.51 - $4.50
20.0% Greater than $4.50 *(Please specify $_____)*

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17. Are there any limitations or drawbacks to your institution or organization associated with the use of PACS?

N=84

19.0% YES
77.4% NO
3.6% No Opinion

A. If yes, what types of limitations or drawbacks exist? *(Check all that apply and briefly explain)*

N=15

0% Filing Security Issues
13.3% Required BSA Forms Unavailable
46.7% Employee Training
0% Cost Limitations
6.7% Confirmation of Data Transmissions Not Always Received
66.7% Other *(briefly explain)*

_____
_____

18. To what extent is your institution or organization satisfied with PACS? *(Briefly explain)*

N=85

47.1% Very Satisfied
42.4% Satisfied
9.4% Somewhat Satisfied
0% Somewhat Dissatisfied
1.2% Very Dissatisfied

_____
_____

0% No Opinion

19. Does your institution or organization feel changes are needed to improve PACS?

N=83

41.0% YES
50.6% NO
8.4% No Opinion

A. If yes, what changes does you institution or organization suggest?
N=34

_____
_____

20. What type of outreach would be most helpful to your institution or organization? *(Check all that apply)*

N=74

48.6% User Groups
43.2% Presentation by FinCEN Staff at Industry Conferences

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70.3% Enhanced Content on the PACS Website at http://pacs.treas.gov
6.8% Other (please describe)

21. With regard to PACS, what would your institution or organization like to see discussed through FinCEN outreach?

N=74

64.9% PACS Overview (Refresher for Existing Users)
63.5% Future Enhancements Overview
37.8% Supervisor User Training
56.8% General User Training
52.7% User Feedback to Include Problem Discussions and Suggestions for System Enhancements
5.4% Other *(briefly describe)*

22. Has your institution or organization ever submitted a question to the PACS Technical Support?

N=86

80.2% YES
19.8% NO

A. If yes, did your institution or organization receive a response?

N=70

98.6% YES
1.4% NO

1. If yes, did the response address the question?

N=66

97.0% YES
3.0% NO

23. To what extent is your institution or organization satisfied with the assistance received from PACS technical support. *(Briefly explain)*

N=81

58.0% Very Satisfied
29.6% Satisfied
6.2% Somewhat Satisfied
2.5% Somewhat Dissatisfied
1.2% Very Dissatisfied
2.5% No Opinion

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24. Will your institution or organization continue to use PACS? If no, briefly explain.

N=85

100% YES
0% NO

25. If your institution or organization is not a PACS user, how could FinCEN assist you in getting started using PACS?

N=38

23.7% Outreach
39.5% Assistance in Setting Up the Process
44.7% Other *(please describe)*

26. What type of outreach would be most helpful to your institution or organization?

N=66

39.4% User Groups
43.9% Presentation by FinCEN Staff at Industry Conferences
71.2% Enhanced Content on the PACS Website at http://pacs.treas.gov
4.5% Other *(please describe)*

27. With regard to PACS, what would your institution or organization like to see discussed through FinCEN outreach?

N=74

54.1% PACS Overview (Refresher for Existing Users)
56.8% Future Enhancements Overview
52.7% Supervisor Using Training
63.5% General User Training
55.4% User Feedback to Include Problem Discussions and Suggestions for System Enhancements
4.1% Other *(briefly describe)*

28. Does your institution or organization have any additional comments, concerns, or issues regarding PACS that were not addressed above? Briefly explain.
N=23

29. Please provide the name and contact information for the appropriate individual OIG may contact with follow-up questions if necessary.

Thank you for participating in this survey!

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QUESTIONNAIRE
FILING OF BANK SECRECY ACT REPORTS

Control No.

Name of Institution or Organization: _____
Federal Employer Identification No.: _____
Official Completing Questionnaire: _____
Title: _____
Address: _____
_____
Telephone Number: _____
Questionnaire Completion Date: _____

The Treasury Office of Inspector General (OIG) is conducting a review of the Patriot Act Communication System (PACS), and your responses to this questionnaire will be of great help to us in our evaluation of this new system. Please respond to the following questions.

1. Is your institution or organization required to file Bank Secrecy Act (BSA) reports with the federal government?

N=341 (N=The number of institutions responding to the survey question)

97.9% YES
2.1% NO

A. If yes, what types of BSA reports are filed? *(Check all that apply)*

N=333

96.1% Currency Transaction Report (CTR)
1.8% CTR-Casino
88.6% Suspicious Activity Report (SAR)
1.5% SAR by Casinos and Card Clubs
.9% SAR by Securities Firms and Futures Industries
12.3% SAR by Money Service Business
1.8% Other *(briefly explain)*

_____
_____

If yes, please go to question 2.

B. If no, please state the reason.
N=3
_____
_____

If no, it is not necessary to proceed with this questionnaire.

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2. What is your institution or organization type?

N=339

54.6%	Bank (Asset Size $_____)
22.1%	[Credit Union]
2.1%	Casino
15.6%	Money Services Business (MSB)
.9%	Securities and Futures
7.1%	Other *(briefly explain)*

_____
_____

3. What federal regulatory agency has oversight of your institution or organization? *(Check all that apply)*

N=332

34.9%	Federal Deposit Insurance Corporation (FDIC)
6.3%	Office of Thrift Supervision (OTS)
13.3%	Office of the Controller of Currency (OCC)
13.9%	Federal Reserve Bank (FRB)
2.1%	Securities and Exchange Commission (SEC)
23.8%	Internal Revenue Service (IRS)
21.4%	[National Credit Union Administration (NCUA)]
7.8%	Other *(please identify)*

_____
_____

1.2%	None

4. Does your institution or organization file Currency Transaction Reports (CTRs)?

N=339

97.9%	YES
2.1%	NO If no, please go to question 5.

A. If yes, approximately how many CTRs are filed by your institution or organization on a yearly basis?

N=326

88.7%	0 – 1,000
6.7%	1,001 – 5,000
1.2%	5,001-10,000
1.8%	10,001-50,000
1.5%	50,001 or Greater

B. If yes, how often does your institution or organization file CTRs?

N=325

75.7%	Transaction by Transaction Basis
12.9%	Weekly

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3.1% Monthly
10.5% Other *(briefly explain)*

_____
_____

5. Does your institution or organization file Suspicious Activity Reports (SAR)?

N=335

95.8% YES
4.2% NO If no, please go to question 6.

A. If yes, approximately, how many SARs are filed by your institution or organization on a yearly basis?

N=316

78.5% 0 – 10
9.5% 11 – 20
3.5% 21 – 30
8.5% 31 of Greater

B. If yes, how often does your institution or organization file SARs?

N=317

94.0% As Suspicious Activity is Identified
2.5% Weekly
2.2% Monthly
3.2% Other (*briefly explain)*

_____
_____

6. Is your institution or organization familiar with the PACS?

N=337

36.8% YES
63.2% NO If no, please go to question 7.

A. If yes, to what extent is your institution or organization familiar with PACS?

N=132

6.8% Very Familiar
22.0% Familiar
49.2% Somewhat Familiar
8.3% Somewhat Unfamiliar
13.6% Very Unfamiliar

B. How did your institution or organization become familiar with PACS? *(Check all that apply)*

N=121

21.5% Trade Association
45.5% Financial Crimes Enforcement Network (FinCEN) outreach

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12.4%	Federal Deposit Insurance Corporation (FDIC)
3.3%	Office of Thrift Supervision (OTS)
.8%	Office of the Controller of Currency (OCC)
9.1%	Federal Reserve Bank (FRB)
.8%	Securities and Exchange Commission (SEC)
13.2%	Internal Revenue Service (IRS)
34.7%	Other *(briefly explain)*

7. What method does your institution or organization currently use to file BSA reports with the federal government? *(Check all that apply)*

N=335

93.1%	Manual (Paper)
4.5%	Magnetic Tape
3.0%	PACS
1.8%	Other *(briefly explain)*

8. If your institution or organization does not currently use PACS to file BSA reports, what is the reason why it is not used? *(Check all that apply)*

N=321

6.5%	Lack of Internet Capabilities
1.2%	PACS is Difficult to Use
52.6%	Low BSA Report Volume
3.4%	Cost
48.6%	Insufficient PACS Knowledge
5.6%	PACS Does Not Fit My Business Process
19.3%	Other *(comments)*

A. What changes would you suggest be made to PACS before your institution or organization would consider using PACS? *(Briefly explain)*
N=247

(N=41)

No Opinion *(N=206)*

9. If your institution or organization does not currently use PACS to file BSA reports, does your institution or organization intend to use PACS in the near future? If yes, approximately when?

N=304

15.5%	YES
22.7%	NO
61.8%	No Opinion

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If your institution or organization is a PACS user, please go on to question 10. If your institution or organization does not currently use PACS, please go to question 25 and proceed.

10. When did your institution or organization begin using PACS?

N=9

MONTH _____ YEAR _____

11. For what purposes is PACS used by your institution or organization? *(Check all that apply)*

N=13

69.2% CTR Filings
61.5% SAR Filings
38.5% Communication with FinCEN
0% Other *(briefly explain)*

_____
_____

12. Does your institution or organization use PACS to communicate with FinCEN?

N=12

41.7% YES
58.3% NO

A. If yes, how effective is PACS for communicating with FinCEN?

N=5

20.0% Very Effective
40.0% Effective
20.0% Somewhat Effective
0% Somewhat Ineffective
0% Very Ineffective
20.0% No Opinion

13. Does your institution or organization use PACS for 100% of BSA report filings?

N=13

53.8% YES
46.2% NO

A. If no, what is the approximate percentage of filings through PACS and other methods?

N=6

____ % PACS
____ % Manual (Paper)
____ % Magnetic Tape
____ % Other *(briefly explain)*

_____
_____

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B. If no, please briefly explain why PACS is not used for 100% of BSA filings?
N=6

C. Do you have any suggested changes to PACS that would increase the percentage of filings by your institution or organization through the system?
N=3

14. How would your institution or organization rate PACS in terms of the overall ease of implementation? If difficult, briefly explain.

N=13

0%	Very Difficult
7.7%	Difficult
30.8%	Somewhat Difficult
38.5%	Somewhat Easy
7.7%	Very Easy
15.4%	No Opinion

Comments:

A. Does your institution or organization have any suggestions to make PACS easier to implement? If yes, briefly explain.

N=11

18.2%	YES
72.7%	NO

15. Overall, does your institution or organization find PACS easy to use?

N=11

63.6%	YES
18.2%	NO
18.2%	No Opinion

A. How would your institution or organization rate PACS in terms of ease of use? If difficult, briefly explain.

N=9

0%	Very Difficult
11.1%	Difficult
22.2%	Somewhat Difficult
22.2%	Somewhat Easy
33.3%	Very Easy
11.1%	No Opinion

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B. Does your institution or organization have any suggestions to make PACS easier to use? If yes, briefly explain.

N=7

0% YES
100% NO

16. What are the benefits to your institution or organization in using PACS? *(Check all that apply)*

N=13

7.7% No Benefit
53.8% Time Savings
38.5% Cost Savings
30.8% Facilitate Data Storage
61.5% Enhanced Accuracy of Form Completion
38.5% Enhanced Record Keeping and Submission Management
23.1% Other *(briefly explain)*

A. If cost savings benefit, what are the types of costs saved? *(Check all that apply and briefly explain)*

N=6

66.7% Internal Routing and Shipping
50.0% Producing or Handling Disks
66.7% Office Supplies Used to Manually File BSA Reports
16.7% Other *(briefly explain)*

B. If cost savings benefit, has the actual savings per BSA form filed been calculated?

N=7

28.6% YES
71.4% NO

1. If yes, what is the approximate savings per BSA form filed?

N=1

100% Less than $0.50
0% $0.50 - $1.50
0% $1.51 - $2.50
0% $2.51 - $3.50
0% $3.51 - $4.50
0% Greater than $4.50 *(Please specify $_____)*

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17. Are there any limitations or drawbacks to your institution or organization associated with the use of PACS?

N=11

27.3% YES
54.5% NO
18.2% No Opinion

A. If yes, what types of limitations or drawbacks exist? *(Check all that apply and briefly explain)*

N=4

0% Filing Security Issues
25.0% Required BSA Forms Unavailable
50.0% Employee Training
25.0% Cost Limitations
0% Confirmation of Data Transmissions Not Always Received
75.0% Other *(briefly explain)*

_____
_____

18. To what extent is your institution or organization satisfied with PACS? *(Briefly explain)*

N=12

16.7% Very Satisfied
33.3% Satisfied
41.7% Somewhat Satisfied
8.3% Somewhat Dissatisfied
0% Very Dissatisfied

_____
_____

0% No Opinion

19. Does your institution or organization feel changes are needed to improve PACS?

N=12

16.7% YES
41.7% NO
41.7% No Opinion

A. If yes, what changes does you institution or organization suggest?
N=1
_____
_____

20. What type of outreach would be most helpful to your institution or organization? *(Check all that apply)*

N=12

50.0% User Groups
50.0% Presentation by FinCEN Staff at Industry Conferences

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41.7% Enhanced Content on the PACS Website at http://pacs.treas.gov
8.3% Other (please describe)

21. With regard to PACS, what would your institution or organization like to see discussed through FinCEN outreach?

N=12

58.3% PACS Overview (Refresher for Existing Users)
66.7% Future Enhancements Overview
33.3% Supervisor User Training
33.3% General User Training
8.3% User Feedback to Include Problem Discussions and Suggestions for System Enhancements
0% Other *(briefly describe)*

22. Has your institution or organization ever submitted a question to the PACS Technical Support?

N=13

46.2% YES
53.8% NO

A. If yes, did your institution or organization receive a response?

N=6

100% YES
0% NO

1. If yes, did the response address the question?

N=5

100% YES
0% NO

23. To what extent is your institution or organization satisfied with the assistance received from PACS technical support. *(Briefly explain)*

N=8

25.0% Very Satisfied
37.5% Satisfied
12.5% Somewhat Satisfied
12.5% Somewhat Dissatisfied
0% Very Dissatisfied

12.5% No Opinion

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24. Will your institution or organization continue to use PACS? If no, briefly explain.

N=13

100% YES
0% NO

25. If your institution or organization is not a PACS user, how could FinCEN assist you in getting started using PACS?

N=310

29.7% Outreach
46.5% Assistance in Setting Up the Process
44.8% Other *(please describe)*

26. What type of outreach would be most helpful to your institution or organization?

N=282

20.6% User Groups
34.8% Presentation by FinCEN Staff at Industry Conferences
49.6% Enhanced Content on the PACS Website at http://pacs.treas.gov
22.3% Other *(please describe)*

27. With regard to PACS, what would your institution or organization like to see discussed through FinCEN outreach?

N=268

25.0% PACS Overview (Refresher for Existing Users)
15.3% Future Enhancements Overview
31.7% Supervisor Using Training
73.5% General User Training
20.9% User Feedback to Include Problem Discussions and Suggestions for System Enhancements
16.0% Other *(briefly describe)*

28. Does your institution or organization have any additional comments, concerns, or issues regarding PACS that were not addressed above? Briefly explain.
N=40

29. Please provide the name and contact information for the appropriate individual OIG may contact with follow-up questions if necessary.

Thank you for participating in this survey!

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A recommendation that funds be put to better use means a recommendation that funds could be used more efficiently if management took action to implement and complete the recommendation, including (1) reductions in outlays; (2) de-obligations of funds from programs or operations; (3) costs not incurred by implementing recommended improvements related to operations; (4) avoidance of unnecessary expenditures noted in pre-award reviews of contract agreements; (5) any other savings which are identified; or (6) enhancements to revenue. The following potential cost savings will be recorded in the Joint Audit Management Enterprise System (JAMES) under the category Funds Put to Better Use. This amount will also be included in the OIG Semiannual Report to Congress.

Recommendation Number	Funds Put to Better Use
Finding 2 – Recommendation 3	$48,000,000

The potential cost savings listed above represents the estimated savings Treasury will receive over a 3-year period if the cost of paper processing can be eliminated through increased use of the Patriot Act Communication System (BSA E-Filing). The estimate is based on the cost of paper processing provided by FinCEN from IRS data and a May 2003 consultant study.

DEPARTMENT OF THE TREASURY
FINANCIAL CRIMES ENFORCEMENT NETWORK

March 30, 2005

MEMORANDUM FOR DIRECTOR BENSON
(EASTERN FIELD AUDIT OFFICE)

FROM: William J. Fox, Director

SUBJECT: *Management Response to Audit of BSA E-Filing*

We appreciate your assessment of the Financial Crimes Enforcement Network's Bank Secrecy Act (BSA) Electronic Filing (E-Filing) program. We are in the third year of operation and feel that your assessment will assist us in expanding the use of the system. As of the first quarter of FY2005, 23 percent of the currency transaction reports and 34 percent of the suspicious activity reports were filed through our E-Filing program.

We have also expanded the types of forms available to be filed through this program. Now, Currency Transaction Report (CTR), Currency Transaction Report by Casinos (CTR-C) Non Nevada, Suspicious Activity Report (SAR), Suspicious Activity Report Casinos and Card Clubs (SAR-C), Suspicious Activity Report by the Securities and Futures Industries (SAR SF), Suspicious Activity Report by Money Services Business (SAR-MSB), and Designation of Exempt Person (DEP) are available through the system. The system will soon include the Registration of Money Services Business (RMSB) and the new Insurance SAR Form (FY2006).

Our planned corrective actions are provided below:

Recommendation 1: Increase outreach efforts to ensure that institutions are educated on the benefits of using BSA E-Filing and are encouraged to enroll with and use BSA E-Filing to file BSA reports.

Response: We fully concur with this recommendation. We have already begun to expand outreach to emphasize the importance of this program with the financial industry at every opportunity. Our Regulatory Policy and Programs Division will also include a short presentation on BSA E-Filing at conferences with the financial industry. Our priority will be to expand outreach to the top 1550 magnetic/paper filers, which will allow us to reach our goal of 90 percent electronic filing by 2008. We will complete an outreach plan to target these filers by June 2005.

Recommendation 2: Evaluate and select for implementation, enhancements to BSA E-Filing that will encourage enrollment with and use of the system. Enhancements could include, but not be limited to, simplifying user set up and digital certification.

MEMORANDUM FOR DIRECTOR BENSON

March 30, 2005 Page 2

Response: We fully concur with this recommendation. FinCEN began a complementary effort to examine the technology enhancements to BSA E-Filing required to assure that the system could meet future e-filing volume. This effort will allow us to quickly develop an implementation plan to address the needed enhancements. The most significant of these is the implementation of our secure direct e-file transfer enhancement, which will allow the current high volume filers to file directly into the BSA E-Filing system. This enhancement will be completed by the end of this year. We expect that filing volumes may reach 40% by the end of the fiscal year due to this enhancement alone. In addition, we are planning to do a usability analysis on the BSA E-Filing system. Once the analysis is done, we will review and select the best additional improvements based upon time and budget. Status: The plan for implementation of the enhancements will be completed by October 2005.

Recommendation 3. Assess the feasibility and advisability of mandating electronic filing of BSA reports, including analyzing the types of filers for which mandating electronic filing would be most appropriate and practical. Based on this analysis, establish a timeframe for amending, as appropriate, any corresponding BSA regulations.

Response: We fully concur with this recommendation. We will assess the feasibility and advisability of mandating the electronic filing of BSA reports. Based on this assessment, we will develop a recommended course of action. This assessment will be completed by September 2005.

The Department of the Treasury

Under Secretary, Office of Terrorism and Financial Intelligence
Assistant Secretary, Terrorist Financing and Financial Crimes
Office of Strategic Planning and Evaluations
Office of Accounting and Internal Controls

Financial Crimes Enforcement Network

Director
Associate Director, Regulatory Policy and Programs Division
Assistant Director, Deputy Chief Financial Officer

Office of Management and Budget

OIG Budget Examiner

Internal Revenue Service

Associate Commissioner for Modernization/Chief Information Officer
Director, Fraud/Bank Secrecy Act
Small Business Self/Self Employed Division
Legislative Analysis Officer (Audit Coordinator)