

Financial Crimes Enforcement Network

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/Decrease	Percent Change
Salaries and Expenses	\$73,216	\$85,844	\$91,335	\$5,491	6.4%
BSA Administration and Analysis	64,780	76,889	82,157	5,268	6.9%
Regulatory Support Programs	8,436	8,955	9,178	223	2.5%
Subtotal, Financial Crimes Enforcement Network	\$73,216	\$85,844	\$91,335	\$5,491	6.4%
Offsetting Collections - Reimbursables	1,541	5,251	5,251	0	0.0%
Total Program Operating Level	\$74,757	\$91,095	\$96,586	\$5,491	6.0%

Explanation of Request

The Financial Crimes Enforcement Network (FinCEN) FY 2009 President's Budget request includes funding to strengthen its capability to safeguard the nation's financial system from the abuses of financial crime, including terrorist financing, money laundering, and other illicit activity. Specifically, the funding request maintains current operating levels, improves regulatory effectiveness and consistency through increased information sharing, strengthens global anti-money laundering efforts through improved analytic products to foreign counterparts, and increases physical security to ensure the safety of FinCEN employees and property.

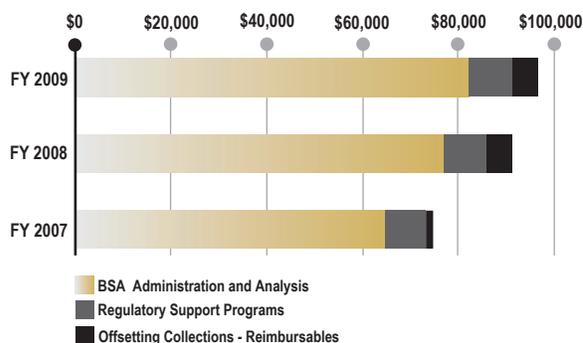
Total resources required to support FinCEN activities for FY 2009 are \$96,586,000 including \$5,251,000 from offsetting collections and reimbursable agreements.

Purpose of Program

The mission of FinCEN, a bureau within Treasury's Office of Terrorism and Financial Intelligence, is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems. FinCEN fulfills its mission, goals and priorities by: administering the Bank Secrecy Act (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.

FinCEN Funding History

(Dollars in Thousands)



FinCEN FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	\$85,844
Changes to base:	
Maintaining Current Levels (MCLs):	\$2,142
Pay Annualization	300
Pay Inflation Adjustment	861
Non-Pay Inflation Adjustment	981
Initiative Annualization:	\$1,337
Annualization of Project Management Initiative	1,337
Transfers In:	\$1,000
Transfer from IRS for BSA E-Filing	1,000
Subtotal FY 2009 Changes to Base	\$4,479
Total FY 2009 Base	\$90,323
Program Changes:	
Program Decreases:	(\$4,146)
Reprioritization of Resources	(697)
Information Technology Funding Realignment	(3,449)
Program Reinvestment:	\$2,897
BSA Data Management and Analysis	2,897
Program Increases:	\$2,261
Improve BSA Effectiveness/Consistency	1,139
Strengthen Global Anti-Money Laundering Efforts	865
Increase Physical Security	257
Subtotal FY 2009 Program Changes	\$1,012
Total FY 2009 President's Budget Request	\$91,335

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for FinCEN is \$85,844,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +\$2,142,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of \$300,000; proposed January 2009 pay raise of \$861,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$981,000.

Initiative Annualization

Annualization of Project Management Initiative +\$1,337,000 / +6 FTE These funds will allow FinCEN to complete implementation of the Project Management Office (PMO) approved in FY 2008.

This annualization provides the remaining funding for OMB, Treasury and GAO recognized requirements to improve FinCEN's project management capability for both information technology and non-information technology projects.

Transfers In

Transfer from IRS for BSA E-Filing +\$1,000,000 / +0 FTE The IRS annually reimburses FinCEN for the cost associated with operations and maintenance contract supporting the BSA e-filing system which is administered and controlled by FinCEN. This transfer will provide FinCEN with the base funding it needs to continue supporting the BSA e-filing system.

Program Decreases

Reprioritization of Resources -\$697,000 / -4 FTE Base reductions were identified as the result of business process efficiencies from consolidation of administrative responsibilities and reductions in the number of commercial, financial, and law enforcement database queries due to the automation of the commercial database and networking functions.

Information Technology Funding Realignment -\$3,449,000 / +0 FTE This program decrease realigns funding from the terminated BSA Direct Retrieval and Sharing project.

Program Reinvestment

BSA Data Management and Analysis +\$2,897,000 / +0 FTE BSA Data Management and Analysis encompasses the data management and quality activities of FinCEN, including the original objectives from the BSA Direct retrieval and sharing program. Investments in information technology are at the core of FinCEN's national security mission to make BSA information available for hundreds of government agencies and international partners to fight terrorism and money laundering. With this reinvestment, FinCEN will focus resources to improve BSA data quality and integrity, resulting in expanded utilization of the BSA information.

Program Increases

Improve BSA Effectiveness/Consistency +\$1,139,000 / +5 FTE Effective administration of the BSA requires timely exchange of information, consistent application, and tailored outreach to assist regulated industries to better target their limited resources. The initiative aims to realize efficiencies for all entities subject to the regulatory framework. Greater efficiency will reduce regulatory burden on the financial industry, while at the same time enhancing effectiveness in providing law enforcement and regulators with information needed to combat the financing of terrorism and money laundering. Funding will enable FinCEN to tailor present and future requirements, expand outreach efforts, and execute information sharing agreements with additional state regulatory authorities.

Strengthen Global Anti-Money Laundering Efforts +\$865,000 / +2 FTE FinCEN works with Financial Intelligence Units (FIUs) around the world to intensify international anti-money laundering collaboration and combat terrorist financing. In recent years, FinCEN, together with other U.S. agencies, has invested significant resources in the FIUs to strengthen their investigative and analytical capacity to provide greater information on money laundering/terrorist financing activities. Additional resources are required to take further advantage of the FIUs newly expanded and strengthened capacities, including expanded information exchanges to benefit U.S. law enforcement.

Increase Physical Security +\$257,000 / +0 FTE FinCEN will utilize FY 2009 funds to enhance its Physical Security Program to mitigate vulnerabilities. Currently, FinCEN leases over 240,000 square feet of office space for its Virginia headquarters location, of which 440 federal employees and other personnel have access to this office space. A recent review of FinCEN's physical security environment by the Federal Protective Service identified security vulnerabilities. This funding will allow FinCEN to procure additional security equipment to enhance its Physical Security Program in order to mitigate some of those vulnerabilities.

Explanation of Budget Activities

Salaries and Expenses

BSA Administration and Analysis (\$82,157,000 from direct appropriations and \$5,251,000 from reimbursable programs) This activity comprises FinCEN's efforts to administer the BSA, including promulgating regulations, providing outreach and issuing guidance to the regulated industries, providing oversight of BSA compliance, initiating enforcement actions, and, with the IRS, managing the information filed by the regulated industries, as well as analytic activities. Internationally, FinCEN promotes the development of anti-money laundering regimes through training and technical assistance. Analytical programs include support to U.S. law enforcement and international FIUs in combating financial crime by facilitating the exchange of investigative information; identifying foreign and domestic money laundering and terrorist financing trends, patterns, and techniques; and liaison with and support of intelligence initiatives within the intelligence community and within Treasury. This activity also incorporates efforts to support large-scale, complex law enforcement investigations involving terrorist financing, money laundering, and other financial crimes.

Regulatory Support Programs (\$9,178,000 from direct appropriations) This activity supports implementation, strengthening and clarification of the programmatic (anti-money laundering, Customer Identification Program, and suspicious activity reporting), recordkeeping, and reporting requirements of the BSA for financial institutions subject to those requirements. FinCEN will continue efforts with the IRS, especially related to the money services business (MSB) industry to ensure compliance, respond to public inquiries, distribute forms and publications, and support collection and maintenance of BSA information. This includes enhancing the capability to correct identified data quality issues and other related enhancements. These resources also fund IRS BSA compliance activities for non-bank financial institutions, especially related to the MSB industry.

Legislative Proposals

FinCEN has no legislative proposals for FY 2009.

FinCEN Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
		Actual	Actual	Actual	Target	Target
BSA Administration and Analysis	Average time to process enforcement matters (in Years) (E)	1.3	1	1.1	X	1
BSA Administration and Analysis	Percentage of Regulatory Resource Center Customers rating the guidance received as understandable	0	94	91	✓	90
BSA Administration and Analysis	Percentage of customers finding FinCEN's analytic reports highly valuable.	0	0	82	Baseline	79
BSA Administration and Analysis	Percentage of customers satisfied with the BSA E-Filing (Oe)	0	92	94	✓	90

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

FinCEN conducted a survey of the Regulatory Resource Center customers rating 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 money 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.

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 exceeded 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.