

**UNITED STATES POSTAL SERVICE
OFFICE OF INSPECTOR GENERAL**



BANK SECRECY ACT

SEPTEMBER 30, 1998

RESTRICTED INFORMATION

Management Advisory Report Number FR-LA-98-001

September 30, 1998

M. RICHARD PORRAS
CHIEF FINANCIAL OFFICER
AND SENIOR VICE PRESIDENT

SUBJECT: Bank Secrecy Act Program (FR-LA-98-001)

This is a management advisory report which highlights the results of our initial review of the United States Postal Service (USPS) Bank Secrecy Act (BSA) Program.

Our objectives were to review the requirements and determine the current status of the USPS BSA Program.

Our review was conducted during the period April to July 1998. We plan to perform more in-depth audits of the USPS BSA Program during fiscal years 1999 and 2000.

To accomplish our objectives, we determined the requirements of the BSA that are applicable to the USPS. We interviewed individuals involved with the development and implementation of the BSA Program including, the BSA ██████, the BSA Program Manager, ██████, and St. Louis ██████. We also reviewed the USPS BSA Program plans and system design. In addition, we identified the various systems that would interface with the BSA Program system that is currently under development.

Our review was conducted in accordance with generally accepted government auditing standards and included such tests of BSA internal controls as deemed necessary.

Background

The BSA is a law¹ enacted to deter money-laundering activities. Money laundering is the attempt to conceal or disguise the nature, location, source, ownership, or control of money derived from illegal activities. Law enforcement officials have estimated that between \$100 billion and \$300 billion in United States currently is laundered each year.

¹ Public Law 91-508, 84 Stat. 1114 (1970).

The BSA requires certain cash purchases of financial instruments such as money orders, wire transfers, and stored value cards to be reported to the United States Department of Treasury. The law applies to the USPS because it currently sells such instruments to the public. In cooperation with the United States Department of Treasury, the USPS is participating in the broad federal effort to curb illegal activities through all reasonable means, including making it more difficult to launder the cash proceeds from illegal activities into otherwise legitimate financial accounts and instruments.

Results in Brief

Overall, the USPS has made significant progress in complying with the BSA. When fully implemented, the USPS BSA Program should ensure the USPS is generally compliant. In addition, the BSA Program should assist management personnel in identifying instances of non-compliance and, therefore, take appropriate actions to prevent reoccurrence.

However, as a result of our review, there were three areas of concern that we would like to bring to your attention:

- system access,
- training, and
- document retention.

System Access

BSA system access was not always properly controlled. Discussions with [REDACTED] and review of applicable BSA documentation revealed the following:

- a. Our review disclosed that five contractor personnel assigned to develop the BSA system did not have "sensitive clearances." USPS guidance requires that individuals having access to sensitive information, such as the BSA system, obtain a "sensitive clearance."² Such clearances are designed to ensure that compromise of sensitive information does not occur resulting in a financial loss, inconvenience, or delay in the performance of the "significant Postal Service mission." Sensitive clearances had not been obtained for the five contractor personnel because the contracting officer had not followed established procedures and did not administer the contracts properly. This condition affects the BSA system as well as other systems developed by the USPS Integrated Business Systems Solution Center (IBSSC) in St. Louis. The Postal Inspection Service reported this issue to the USPS Vice President, Information Systems, in a separate report

² USPS Administrative Support Manual paragraph 272.321.

(Draft Audit Report of Electronic Data Processing Controls, condition 98SLIS01, August 1998). Management personnel took actions during the course of our review to upgrade the clearances of the contractor personnel still working on the BSA system. In addition, management assessed the work performed by those contractor personnel who were no longer working on the BSA system to ensure propriety.

- b. USPS officials planned to provide USPS data entry clerks inappropriate BSA system access levels. Specifically, system documentation showed that data entry clerks would have access to money order and money order status add and update tables in the BSA system. However, discussions with management personnel revealed the data entry clerks' duties were not compatible with the need to access tables other than the BSA document (8105A/B) add/update tables. This situation occurred because data entry clerks were grouped with money order analysts who needed access to the money order and money order status add and update tables. Following our disclosure, management initiated a software change request to correct this situation.

Improper system access places the BSA system at unwarranted risk for improprieties and/or inaccuracies. Due to the sensitivity of the BSA system, access should be strictly controlled.

We have no further suggestions concerning system access since management took actions during the course of the review. However, we will review system access again during future audits.

Training

Management personnel had not developed plans to ensure training was provided to ██████████ responsible for issuing USPS money orders at foreign locations. Discussions with BSA management personnel revealed they had not made plans nor contacted ██████████ to provide required BSA training. The BSA requires that personnel receive training on the requirements of the Act. During our review, we provided management personnel with a point of contact within the Military Postal Service Agency (MPSA). Management met with MPSA personnel to make arrangements for military personnel to obtain the necessary BSA training.

As a result of the actions taken by management, no further suggestions for improvement are offered. We will follow up on this issue in the future to ensure the ██████████ received the necessary BSA training.

Document Retention

Discussions with management personnel and review of the BSA Program documentation revealed that management personnel planned to dispose of hard copies of "Funds Transaction/Transfer" (Form 8105A) and "Suspicious Transaction" (Form 8105B) forms six months after the date the data from these forms were entered in the BSA system. This decision was not formally coordinated with United States Department of Treasury, USPS Inspection Service, or USPS Legal personnel. Paragraph 103.29(c) of the BSA requires documentation be retained for five years. Without this source documentation to validate that data were correctly entered into the BSA system, the information may be subject to scrutiny by those being investigated or prosecuted using the data. In addition, the Form 8105A contains the signature of the postal employee certifying the personal information for the customer. We make one suggestion, shown below, for improvement in this area.

Suggestion

The Chief Financial Officer and Senior Vice President should direct the BSA Compliance Officer to retain the Forms 8105A and 8105B for five years in accordance with the BSA. Alternatively, the BSA Compliance Officer may coordinate with the appropriate United States Department of Treasury, USPS Inspection Service, and USPS Legal personnel to determine if the data entered into the BSA system will fulfill their requirements. In that case, an agreed upon retention timeframe for these documents should be established.

Management Comments

The Chief Financial Officer and Senior Vice President agreed to implement the suggestion for improvement. He stated that the following actions were taken regarding document retention:

1. BSA team met with Post Office Accounting in June 1998 to assist with developing the retention schedule. The BSA team included [REDACTED] Inspection Service, Office of Inspector General, and the Law Department.
2. The [REDACTED] has been instructed to maintain all forms, until official retention period is developed, cleared, and published.
3. The BSA team has recommended to retain the forms for five years or until such time as the BSA [REDACTED] coordinates with the appropriate United States Department of Treasury,

Inspection Service, and Law Department to determine if the data entered into the BSA system will fulfill their requirements, with an agreed upon retention timeframe, other than five years.

An electronic version of the full verbatim text of Management Comments regarding this entire Management Advisory Report are attached as Appendix I.

Evaluation of Management Comments

The Chief Financial Officer and Senior Vice President's comments are responsive to the suggestion identified in this report.

We would be happy to meet with you and discuss in detail these issues if you wish. If you have any questions or need additional information, please contact [REDACTED], [REDACTED], or me at (703) 248-2300.

Colleen A. McAntee
Assistant Inspector General
for Performance

Attachment

cc: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
John R. Gunnels
[REDACTED]
[REDACTED]



September 16, 1998

COLLEEN A. MCANTEE

SUBJECT: Management Advisory Report – Bank Secrecy Act Program (FRLA98001)

This letter is in response to the Management Advisory Report which highlighted the results of your initial review of the Bank Secrecy Act (BSA) Program.

As stated in your review, there were three areas of concern: system access, training, and document retention. All three areas have been addressed and actions have been taken to correct them. Attached is the response to the Management Advisory Report – BSA Program. If you have any questions, please contact Angelo Wider, Manager, Revenue Assurance at (202) 268-3278.

Thank you for the opportunity to review the report and to be able to provide comments on the issues contained in this report.

A handwritten signature in cursive script that reads "M. Richard Porras".

M. Richard Porras

Attachment

cc: John Ward
Angelo Wider
Edward Brown
Robert Otto
Lawrence Maxwell
Alan Kiel
John Gunnels

Management Advisory Report - Bank Secrecy Act Program

System Access

The first area of concern was that system access not always properly controlled and that data entry clerks were given inappropriate BSA system access levels. The following actions were taken to address system access:

1. All requests for access to the system must be approved through Headquarters BSA staff. A Request for Computer Access, PS Form 1357, must be submitted. The BSA staff is responsible to monitor and control access to the system.
2. The manager in charge of system development, at the St. Louis IBSSC, now ensures the existence of a sensitive security clearance before any individual is allowed access to the system.
3. Different levels of access now exist according to job category and this access is strictly controlled. Data entry clerks no longer have access to areas that are appropriate for only money order analysts.
4. The St. Louis IBSSC designee will be responsible for ensuring that the following specified tasks are accomplished:
 - By August 31, 1998 will identify all contractors working in or directly for the IBSSC and will either have submitted, or have requested that the COR submit, the appropriate paperwork for a sensitive clearance where an interim or sensitive clearance for a contractor cannot be documented.
 - By August 31, 1998 will have procedures in place to ensure that we can identify the contracting officer or COR responsible for each contractor and that these contracting officers and CORs are either fulfilling their responsibilities in relation to the security requirements for contractors or that someone has been granted proper authority to act for them.
 - By September 11, 1998 will implement procedures to ensure that the ISSO, the LAN Administrator, and the individual responsible for badges and physical access all know of the departure of a contractor either in advance or immediately upon departure. IBSSC designee will also ensure that the August 1997 instructions regarding "Clearance Record for Separated Contractor" are adhered, and the form will be revised as appropriate and all paperwork will be accomplished correctly and promptly.

Training

The second area of concern was training, stating that management personnel had not developed plans to ensure training was provided to military personnel responsible for issuing USPS money orders at foreign locations. The following actions were taken:

1. Headquarters BSA staff met with the Military Postal Service Agency (MPSA) on May 15, 1998 and gave the BSA training to military representatives, who are responsible for ensuring training, is provided to necessary military personnel. The military representatives were given copies of the BSA training videos and various training handouts.
2. At the request of the MPSA additional copies of the BSA training videos and handouts were sent to them in July 1998.
3. The BSA staff has followed up with the MPSA and has offered assistance in their training efforts.

Document Retention

The third area of concern was document retention, revealing that management personnel planned to dispose of hard copies of “Funds Transaction/Transfer” (form 8105A) and “Suspicious Transaction (form 8105B) forms six months after the date the data from these forms were entered in the BSA system. In response to this concern, Corporate Accounting, specifically Post Office Accounting, is responsible for developing, clearing, and publishing USPS records retention schedules. This is done based on input from the functional organization responsible for the creation/receipt of the records, all other affected functional organizations, as well as the Law Department and the Inspection Service. The following actions were taken:

1. BSA team met with Post Office Accounting in June 1998 to assist with developing the retention schedule. The BSA team included BSA staff, St. Louis ASC, Inspection Service, OIG, and the Law Department.
2. The St. Louis ASC has been instructed to maintain all forms, until official retention period is developed, cleared, and published.
3. The BSA team has recommended to retain the forms for five years or until such time as the BSA Compliance Officer coordinates with the appropriate United States Department of Treasury, Inspection Service, and Law Department to determine if the data entered into the BSA system will fulfill their requirements, with an agreed upon retention timeframe, other than five years.

Major Contributors to This Report Were:

██████████
██████████
██████████
██████████