

# IRS **Bank Secrecy Act (BSA)** Compliance Audits

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# Objectives

Understand:

- **IRS BSA examination process**
- **Surviving an IRS BSA examination**



# Money Laundering

- Engaging in financial transactions to disguise:
  - Origin
  - True nature
  - Ownership of illicit funds
- \$1 to \$3 trillion laundered worldwide annually
- Terrorists/ tax evaders / criminals use large cash payments to “launder” money from illegal activities



# MSBs Required to:

- Register (if required by regulation)
  - Renew registration every two years
  - Maintain list of agents
- Report transactions over \$10,000 – CTR
- File Suspicious Activity Reports (if required by regulation)
- Implement an AML compliance program



# MSBs Required to:

Keep records of

- Cash Purchases of monetary instruments of \$3,000 - \$10,000
- Money Transfers of \$3,000 or more
- Currency Exchanges of More Than \$1,000



# IRS BSA Examinations



# Title 31 BSA Examination

Receipt of appointment letter 3493 and Form 4564, Information Document Request

- Written policy statements
- Monthly bank statements
- Daily and monthly work records, summaries and reconciliations
- Copies of filed BSA reports



# Title 31 BSA Examination

- Assess the AML compliance program
- Inspect books and records
- Examine internal / cash control
- Review employee training program
- Analyze reporting and recordkeeping



# Closing Title 31 BSA Examination

- **No Change Letter 4029**
- **Violation Notification Letter 1112:**
  - **Report of Findings and Recommendations detailing apparent violations and necessary corrective actions**
  - **Acceptance statement**
- **Penalties assessed by FinCEN**



# Surviving a BSA Examination

- Ensure written policies and procedures are tailored to your business
- Conduct a BSA pre-exam
- Allow sufficient time to correct weaknesses prior to any examination



# Surviving a BSA Examination

- Inform staff members of the examination's start date, end date, and exam scope
- Promptly respond to all examiner requests through a central point of contact (i.e. the Compliance Officer)
- All agreed upon changes need to be incorporated into your written AML Program



# BSA Penalties - Civil

- CTRs - \$25,000 - \$100,000 per Violation
- SARs - \$25,000 - \$100,000 per Violation
- AML Program - \$25,000 per Day
- Recordkeeping - \$1,000 per Violation
- Failure to Register - \$5,000 per Day
- Failure to Maintain Agent List - \$5,000 per Day



# Summary

- Register and keep agent list (if applicable)
- File required BSA reports
- Keep required records such as:
  - Cash sales of monetary instruments (\$3,000 - \$10,000 inclusive)
  - Funds transfers (\$3,000 or more)
  - Currency exchanges (more than \$1,000)
- Implement and maintain AML compliance program



# Resources

- Websites
  - [www.msb.gov](http://www.msb.gov)
  - [www.fincen.gov](http://www.fincen.gov)
  - [www.irs.gov](http://www.irs.gov)



# Questions

