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US needs to better monitor money laundering-report

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WASHINGTON, Dec 15 (Reuters) - The U.S. Treasury Department needs to improve coordination within its agencies to better monitor potential money laundering, a U.S. government report on Friday said.

The report was prompted by a Senate panel's concern that the Treasury's Financial Crimes Enforcement Network, or FinCEN, and the Internal Revenue Service, were not working well enough together to administer the Bank Secrecy Act, an anti-money laundering law.

FinCEN's role is to oversee the administration of the law by eight federal financial agencies including the IRS. The IRS is charged with, among others, examining nonbank financial institutions (NBFIs) such as money transmitters and check cashers.

"IRS continues to face challenges in identifying NBFIs subject to BSA and then using its limited resources to ensure compliance," the Government Accountability Office said in its report.

The GAO said it found that the IRS only examined 3.5 percent of the nonbank institutions in 2005.

U.S. authorities worry that activities such as narcotics and arms trafficking, extortion and public corruption can be concealed by using the U.S. financial system.

The same system can be used for laundering money, evading taxes and terrorism financing through the use of wire transfers, multiple bank accounts or international "tax heavens."

Part of the problem is that FinCEN regulations are unclear about which businesses are covered by the law, the GAO said. Another is the lack of a comprehensive manual that those businesses can use to remain compliant under the law.

The GAO recommended that FinCEN and the IRS draft a long-term coordinated strategy that outlines priorities, time frames and resources needed, including clarifying rules and measuring compliance rate.

It also suggested that the IRS consider gaining access to taxpayer data to better identify those nonbank institutions.

In a joint letter to the GAO, IRS Commissioner Mark Everson and FinCEN Director Robert Werner said they agreed that their agencies need to better coordinate efforts and has made some recent progress.

"Preliminary planning is already underway and IRS and FinCEN anticipate meeting within the next 60 days to begin developing a comprehensive strategy," they said in the joint letter.

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