

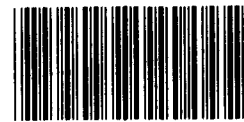
GAO

Report to the Chairman, Permanent  
Subcommittee on Investigations  
Committee on Governmental Affairs,  
U.S. Senate

October 1992

# MONEY LAUNDERING

## State Efforts To Fight It Are Increasing But More Federal Help Is Needed



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General Government Division

B-249709

October 15, 1992

The Honorable Sam Nunn  
Chairman, Permanent Subcommittee  
on Investigations  
Committee on Governmental Affairs  
United States Senate

Dear Mr. Chairman:

This report was prepared in response to your request of May 31, 1991. It discusses what the states are doing to combat money laundering and what assistance is being provided the states by the federal government. The report makes recommendations to Congress concerning access to certain federal data by state law enforcement agencies and to the Department of the Treasury regarding how this access could be facilitated.

As arranged with the Subcommittee, unless you announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send it to other congressional committees, various bureaus and offices within the Department of the Treasury, state law enforcement officials, and other interested parties. Copies will be made available to others upon request.

The major contributors to this report are listed in appendix IV. Please contact me on (202) 566-0026 if you or your staff have any questions concerning this report.

Sincerely yours,

Harold A. Valentine  
Associate Director, Administration  
of Justice Issues

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# Executive Summary

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## Purpose

Money laundering is the disguising or concealing of illicit income in order to make it appear legitimate. Law enforcement officials estimate that between \$100 billion and \$300 billion in U.S. currency is laundered each year.

The Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, asked GAO to determine (1) what the states are doing to combat money laundering, and (2) what assistance the states are receiving from the federal government in these efforts.

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## Background

Curtailing money laundering operations and identifying and locating income derived from criminal activity have become major factors in attacking any type of crime for which profit is the primary motive. Federal efforts in this regard have increased significantly in the past 20 years and have evolved into an approach that utilizes legislation and reports of large currency transactions.

Enacted in 1970, the Bank Secrecy Act (BSA) and its implementing regulations require that individuals as well as banks and other financial institutions report large foreign and domestic financial transactions to the Department of the Treasury. The act has also been amended to provide substantial criminal and civil penalties for institutions that fail to file the required reports and for individuals who deliberately evade certain reporting requirements.

The ability of federal agencies to track large amounts of currency was substantially increased in 1984 when Section 6050I was added to the Internal Revenue Code. This section requires persons engaged in a trade or business (other than those falling under BSA reporting requirements) who receive more than \$10,000 in cash payments in a single transaction or series of related transactions to file a report with the Internal Revenue Service. The report is made on an IRS Form 8300.

Federal law enforcement agencies have found BSA data and information from IRS Form 8300s extremely useful in identifying, investigating, and prosecuting money laundering operations or any other criminal activity generating large amounts of cash. The data are also used to identify and trace the disposition of proceeds from illegal activity for possible seizure and forfeiture.

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Other significant federal legislation includes the Money Laundering Control Act of 1986, which created specific offenses for money laundering and for knowingly engaging in monetary transactions in property derived from certain specified unlawful activity.

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## Results in Brief

Although a growing number of states have recognized the importance of attacking money laundering as a means of reducing the profitability of crime, state efforts vary considerably. Only a few states use both legislation and financial transaction reports as federal law enforcement agencies do.

Almost half the states have statutes that address money laundering, but the laws differ substantially as to the elements of the offense and the penalties provided for.

Most states are making only limited use of the Bank Secrecy Act data available from Treasury. Six states receive the data directly from Treasury already on magnetic media, enabling them to process and analyze it in the same manner as do federal agencies. Other states rely on a more cumbersome process of requesting Treasury in writing to provide information on individual suspects on a case-by-case basis.

Although IRS Form 8300s provide the same basic information as the BSA reports, the Internal Revenue Code does not allow disclosure of the data to other than federal agencies for law enforcement purposes. In an attempt to obtain the data, several states require that copies of the form also be filed with the state. Compliance with these requirements, however, has been extremely low and has limited the usefulness of the data.

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## GAO's Analysis

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### State Efforts Against Money Laundering Vary

As of June 1992, 22 states have enacted statutes addressing money laundering. These laws differ in such matters as definition of the offense, the severity of the penalties, and the defendant's knowledge and intention. Law enforcement officials GAO spoke with in several states believed that the statutes were of questionable value in prosecuting money laundering offenses. (See pp. 15 through 17.)

Six states have agreements with Treasury that permit them to receive BSA data relevant to their states already on magnetic media, thus enabling them to process the data at their own computer facilities. Four of these states are using computers to process and analyze the data in the same manner the federal government does. One state had just entered into the agreement and had not begun using the data. The remaining state has been unable to use the data because of computer difficulties and equipment shortages. (See pp. 19 and 20.)

Four other states obtain BSA data by requiring that filers send copies of the report filed with Treasury to the state. None of these four states use computers to analyze the data for intelligence purposes. Three of the states review the forms to identify suspicious transactions that might warrant further investigation. One of the states does not use any of the documents received. (See pp. 20 and 21.)

Under the provisions of the Internal Revenue Code, the Secretary of the Treasury has the authority to disclose information reported on the IRS Form 8300 to federal law enforcement agencies. This authority is scheduled to expire in November 1992.

Five states have attempted to obtain Form 8300 data by requiring the filing of duplicate forms with the state. For three of these states, the number of forms filed with the state has been so low—in one state none at all—that use of the data has been minimal. The other two states, although not receiving the volume of forms filed with IRS, have put the Form 8300 data on a computer and are using it in conjunction with BSA data received from Treasury for law enforcement purposes. (See pp. 21 and 22 .)

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## Federal Assistance to the States

Federal funding for state initiatives to attack money laundering is provided through formula and discretionary grants awarded and administered by the Justice Department's Bureau of Justice Assistance. In fiscal years 1990 and 1991, 19 states reported spending a total of over \$6 million in formula grant funds on 42 projects at the state and local level dealing with money laundering and/or financial investigations. Funding for discretionary grants dealing with money laundering issues during this time period was \$7.65 million for 14 projects. (See pp. 23 and 24.)

The Financial Crimes Enforcement Network is Treasury's lead agency for collecting, analyzing, and disseminating financial intelligence used in combating money laundering. Although this relatively new organization

has focused primarily on supporting federal agencies, it is providing strategic intelligence reports and training seminars to a growing number of states. The agency is also authorized—along with IRS and the U.S. Customs Service—to provide state and local law enforcement agencies with BSA data on a case-by-case basis to determine if individuals suspected of criminal activity have been involved in large currency transactions. Almost all of the states have obtained BSA data in this manner. (See pp. 25 through 27.)

Treasury's Office of Financial Enforcement is responsible for negotiating agreements with states to make BSA data available on magnetic media and is working to encourage more states to obtain BSA data in this manner.

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## Recommendations to Congress

GAO recommends that Congress amend the disclosure provisions of the Internal Revenue Code to give the Secretary of the Treasury permanent authority to disclose information reported on IRS Form 8300s and to allow states access to the data on the same basis as federal law enforcement agencies. (See p. 31.)

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## Recommendation to the Department of the Treasury

Should IRS Form 8300 information be made available to the states, GAO recommends that Treasury make it available on magnetic media as BSA data is. (See p. 31.)

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## Agency Comments

GAO provided a draft of this report to IRS and the Department of the Treasury. Their written comments are contained in appendixes II and III. (See pp. 42 and 44.)

IRS agreed with the report and with the recommendations made to Congress. Treasury informed GAO that the Financial Crimes Enforcement Network is developing a proposal that would allow states to access federal Bank Secrecy Act data directly through a computer network as an alternative to establishing their own databases. (See p. 32.)

GAO supports this effort and believes that, should Congress make IRS Form 8300 data available to the states, the scope of the proposal should be enlarged to include this type of data as well.

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**Abbreviations**

BSA	Bank Secrecy Act
CMIR	Report of International Transportation of Currency or Monetary Instruments
CTR	Currency Transaction Report
CTRC	Currency Transaction Report by Casino
IRC	Internal Revenue Code
IRS	Internal Revenue Service
FBAR	Report of Foreign Bank and Financial Accounts
FinCEN	Financial Crimes Enforcement Network

# Introduction

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Money laundering is the disguising or concealing of illicit income in order to make it appear legitimate. Curtailing money laundering operations and identifying and locating income derived from criminal activity have become major factors in attacking any type of crime for which profit is the primary motive.

Federal efforts to combat money laundering have evolved over the years into an approach that utilizes legislation and financial data to identify, investigate, prosecute, and recover the proceeds of illegal activity.

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## Attacking Money Laundering Attacks Many Types of Crime

Although precise figures are not available, federal law enforcement officials estimate that between \$100 billion and \$300 billion in U.S. currency is laundered each year. While narcotics traffickers are the largest single block of users of money laundering schemes, numerous other types of activities typical of organized crime—for example, illegal gambling or prostitution—create an appreciable demand. In addition, violations of tax laws are an inevitable byproduct of laundering schemes that conceal the existence of an illegal source of income.

Many criminals face a common problem: How to dispose of large amounts of cash without drawing attention to themselves. Consequently, the methods used to launder funds can vary from extremely complex schemes involving sham corporations to something as simple as purchasing expensive commodities with cash in an attempt to legitimize illicit proceeds.

Making it more difficult to dispose of the proceeds of illegal activity can affect criminal activity in several ways:

- Because federal law requires that transactions involving large amounts of currency be reported, the larger the volume of cash generated by an illegal activity the more vulnerable the activity is to detection when attempts are made to deposit these funds in a financial institution or to spend them.
- Money launderers often facilitate criminal activity but are not directly involved in the actual crime. Money laundering statutes are one means of prosecuting anyone who knowingly profits from illicit income.
- Money laundering investigations often identify other types of crimes that have generated large amounts of cash. Similarly, they can also lead to the identification of assets that might be subject to seizure and forfeiture.

## Federal Efforts to Combat Money Laundering

Over the past two decades, federal law enforcement efforts against money laundering have evolved into a three-part strategy: the reporting of large currency transactions, legislation defining the offense and establishing appropriate sanctions against it, and tactical and strategic intelligence analysis of data.

Federal efforts to track the flow of large cash deposits and the international movement of money and monetary instruments across the nation's borders were significantly enhanced with the passage of the Bank Secrecy Act in 1970. The act requires individuals as well as banks and other financial institutions to report large foreign and domestic financial transactions to the Department of the Treasury. The implementing regulations of the act require the following reports:

- Currency Transaction Report (IRS Form 4789): required to be filed by financial institutions<sup>1</sup> for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to such financial institutions that involves a transaction in currency of more than \$10,000.
- Currency Transaction Report by Casino (IRS Form 8362): required to be filed for each currency transaction in excess of \$10,000 by any licensed casino operating in the United States with gross annual gaming revenues in excess of \$1 million.
- Report of International Transportation of Currency or Monetary Instruments (Customs Form 4790): required to be filed at the time of transporting currency or monetary instruments over \$10,000 from or into the United States.
- Report of Foreign Bank and Financial Accounts (Treasury Form TDF 90-22.1): required to be filed annually by U.S. persons who have a financial interest in or signature authority over bank accounts, securities accounts, or other financial accounts in a foreign country, with a combined value in excess of \$10,000.

The act has been amended to provide substantial criminal and civil penalties for institutions who fail to file the required reports and for individuals who deliberately evade certain reporting requirements.

In addition to the BSA reports, Section 6050I was added to the Internal Revenue Code in 1984 and requires any person engaged in a trade or business (other than financial institutions required to report under the Bank Secrecy Act) who receives more than \$10,000 in cash payments in a

<sup>1</sup>As defined by Treasury, "financial institutions" includes banks, federally regulated security brokers, currency exchange houses, funds transmitters, check cashing businesses, and persons subject to supervision by state or federal bank supervisory authority.

single transaction or series of related transactions to file a report with IRS. The Secretary of the Treasury requires the report be filed on an IRS Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business.

Appendix I shows the volume of BSA reports and Form 8300s filed, per state, for calendar years 1985 through 1991. Over this time period, the volume of filings of one BSA report—the Currency Transaction Report (CTR)—has increased substantially. On average, the volume has increased over 800 percent per state. Treasury officials attribute the increase to an emphasis on enforcement efforts to ensure that the act's reporting requirements are being met and also to several instances of large civil and criminal fines being assessed on offenders, especially banks and other regulated financial institutions. Similarly, the increase in Form 8300s filed between 1990 and 1991, an average of 165 percent per state, is also attributed to these factors.

Authority to examine federally regulated financial institutions to determine compliance with BSA requirements rests with the regulatory agency that oversees the institution. Treasury believes that the extent of compliance with reporting requirements by these institutions has improved during recent years and is generally high. Compliance of unregulated financial institutions—such as check cashing businesses and currency exchange houses—is thought by Treasury to be substantially lower. Compliance with the requirements for filing Form 8300s, although improving in the past several years, is also considered to be low.

IRS is responsible for reviewing the compliance of unregulated financial institutions with CTR filing requirements and also for ensuring that businesses have filed Form 8300s as required. The Service's efforts in this regard are substantial. Table 1.1 shows the compliance reviews done by IRS for calendar year 1991, the first year such data were reported on a national level.

**Table 1.1: CTR and Form 8300 Compliance Checks Performed by IRS During Calendar Year 1991**

State	CTR checks	Form 8300 checks	State	CTR checks	Form 8300 checks
Alabama	101	286	Montana	33	22
Alaska	7	95	Nebraska	3	31
Arizona	10	78	Nevada	1	368
Arkansas	51	87	New Hampshire	4	79
California	271	501	New Jersey	32	90
Colorado	112	273	New Mexico	0	166
Connecticut	21	338	New York	462	495
Delaware	0	40	North Carolina	60	287
Florida	83	528	North Dakota	13	25
Georgia	73	215	Ohio	91	569
Hawaii	0	15	Oklahoma	20	139
Idaho	6	50	Oregon	11	221
Illinois	132	75	Pennsylvania	107	117
Indiana	67	171	Rhode Island	12	82
Iowa	64	311	South Carolina	11	129
Kansas	57	59	South Dakota	8	55
Kentucky	0	223	Tennessee	8	257
Louisiana	19	172	Texas	261	588
Maine	33	61	Utah	34	49
Maryland	59	115	Vermont	19	16
Massachusetts	24	92	Virginia	50	83
Michigan	7	221	Washington	15	113
Minnesota	8	123	West Virginia	11	165
Mississippi	11	125	Wisconsin	18	63
Missouri	27	469	Wyoming	14	27

Source: IRS Examination Division.

## Federal Money Laundering Statutes

Federal efforts against money laundering were strengthened significantly when Congress passed the Money Laundering Control Act in 1986. This act created offenses for money laundering and for knowingly engaging in monetary transactions in property derived from certain specified unlawful activity. It also provided for civil and criminal forfeiture of items involved in laundering activities. The breadth and scope of these forfeiture provisions were greatly expanded by further legislation passed in 1988. A

violation of the prohibition against laundering monetary instruments could result in a sentence of imprisonment for up to 20 years and a fine of up to \$500,000 or twice the value of the property or instrument involved, whichever is greater, or both.

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## Federal Use of Financial Intelligence Information

The reports required by the Bank Secrecy Act as well as the IRS Form 8300s are maintained on two computer databases. One is used by IRS in investigations involving tax fraud and evasion. The other is used by federal law enforcement agencies in criminal investigations, not only of money laundering, but also in

- identifying suspicious transactions that might indicate other possible criminal activity;
- evaluating the merits of any potential criminal cases; and
- tracing, analyzing, or identifying the disposition of proceeds from any illegal activity.

After studying problems it and other agencies were having with investigating and prosecuting money laundering schemes, the Department of the Treasury was concerned that law enforcement efforts were fragmented and uncoordinated and that intelligence analysis was inadequate. To remedy this situation, Treasury created a new agency called the Financial Crimes Enforcement Network (FinCEN) in April 1990 to support federal, state, local, and foreign law enforcement offices.

FinCEN does not initiate or carry out any investigations on its own. Rather, it provides other agencies with tactical and strategic intelligence analyses that identify emerging trends and geographical patterns of money laundering as well as suspected offenders. Additionally, when requested, it provides specially trained investigators experienced in analyzing financial records and data to document money laundering violations and to trace the proceeds of criminal activity. FinCEN also operates a communications center for answering requests from law enforcement agencies for specific data and information.

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## The Need for State Efforts to Combat Money Laundering

In the past several years, a number of authorities have called for the federal efforts against money laundering to be supplemented by state efforts. A 1988 study by the Police Executive Research Forum, for example, found that "The sustained presence of organized crime groups, together with the spiraling growth in narcotics traffic, has raised

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challenges for state and local law enforcement agencies that are similar, although not always parallel, to reasons for federal involvement in money laundering enforcement.”

More recently, a growing number of states have recognized the advantages of developing and implementing an anti-money laundering strategy. The Arizona Attorney General’s Office reported in 1991 that “. . . state and local attention to money laundering as a preventive, investigative, and prosecutive tool promises to bring an additional dimension to enforcement in the area.” New York’s State Senate Committee on Banks and Select Committee on Interstate Cooperation concluded in an April 1990 report that “State efforts against money laundering can contribute to the overall fight against criminal activities and can also help protect the financial system and its consumers. All states should evaluate their specific needs and take necessary steps against money laundering.”

The 1992 National Drug Control Strategy recognized the importance of halting money laundering as a means of dismantling drug trafficking organizations. The Strategy noted that state governments are in a better position to enforce the law against “more localized money laundering schemes” and recommended that states should enact their own currency transaction reporting requirements and also

“. . . tough anti-money laundering legislation . . . and enforce this legislation by investigating and prosecuting money launderers within their jurisdiction. States should also pass effective asset forfeiture laws, so that when money laundering investigations and prosecutions indicate that property has been derived from or used to facilitate drug trafficking or money laundering offenses, it can be seized and forfeited.”

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## **Objectives, Scope, and Methodology**

We were asked by the Chairman of the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, to determine

- what assistance the federal government provides the states in money laundering investigations,
- how many states have money laundering statutes, and
- what the states are doing to combat money laundering.

To respond to the request, we researched the approach used by the federal government in fighting money laundering. Next, we determined what states had implemented anti-money laundering programs and what these

programs consisted of. We used the elements of the federal approach—legislation, financial data, and intelligence reports—as a benchmark in order to compare and contrast the state efforts.

We reviewed pertinent federal and state laws and regulations and an extensive body of published material, including congressional hearings and reports as well as academic and periodical literature and reports prepared by federal agencies, private research associations, and other experts on both the federal and state levels.

To identify those states with money laundering statutes and to compare the provisions of these statutes, we used research done by the National Association of Attorneys General and the National District Attorneys Association.

To identify those states that use reports required by the Bank Secrecy Act, we reviewed documents at the Department of the Treasury's Office of Financial Enforcement and determined which states had agreements with Treasury to obtain the documents directly from the Internal Revenue Service. We contacted all the other states by telephone to determine if a state law existed requiring that a copy of the reports be filed with the state. We also asked if the state had a law requiring that a copy of the IRS form 8300 be filed with the state. We interviewed law enforcement personnel and other state officials and collected data in all of the states that we identified as receiving reports required by the Bank Secrecy Act: New York, Maryland, Georgia, Florida, Arizona, California, North Carolina, Illinois, Utah, and Nebraska.

We also interviewed officials in six states, judgmentally selected, that neither had money laundering statutes nor received BSA reports: Massachusetts, Virginia, Tennessee, Ohio, New Mexico, and Arkansas.

To determine federal efforts against money laundering and federal assistance being provided to states, we interviewed officials and collected data at the following Department of the Treasury agencies and offices: the Office of Financial Enforcement, the Financial Crimes Enforcement Network (FinCEN), the U.S. Customs Service, and the Internal Revenue Service. We also discussed federal assistance to the states and collected data from the Department of Justice's Bureau of Justice Assistance.

We did our review from May 1991 through June 1992 in accordance with generally accepted government auditing standards.



# State Efforts Against Money Laundering Are Increasing but Vary Considerably

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Similar to the federal government, a growing number of states are recognizing the impact that fighting money laundering can have on law enforcement in general. Most states, however, do not have the multifaceted approach used by the federal government, which consists of legislation and financial intelligence data to identify, investigate, and prosecute money laundering offenses.

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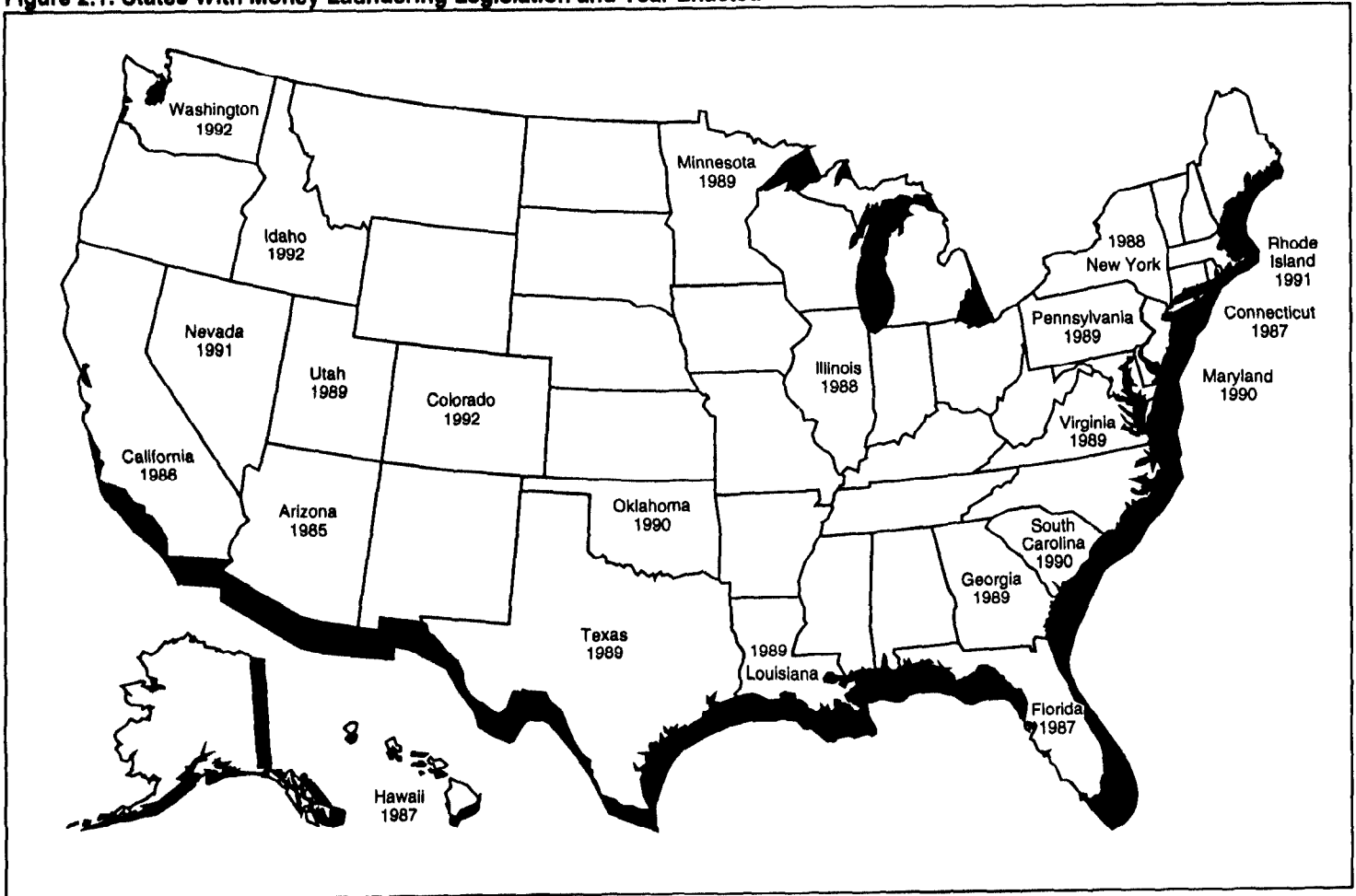
## State Money Laundering Laws Are Not Uniform

In 1991 the National Association of Attorneys General was awarded a grant by the Department of Justice to (1) develop prototype strategies for states for conducting financial investigations and money laundering prosecutions, and (2) provide training and technical assistance to states in how to implement the strategies. As a part of this effort, the Association is determining existing state statutory provisions and plans to report on what it considers the most critical elements of state statutes dealing with money laundering.

The Association, working with the National District Attorneys Association, has identified 22 states that, as of June 1992, have enacted legislation imposing criminal penalties for specifically defined money laundering offenses. Figure 2.1 shows these states and the year the laws were enacted. Association officials told us that their analysis of the statutes showed considerable differences in the type of underlying criminal activity necessary for money laundering to occur and what the defendant's knowledge and intention must be.

**Chapter 2**  
**State Efforts Against Money Laundering Are**  
**Increasing but Vary Considerably**

**Figure 2.1: States With Money Laundering Legislation and Year Enacted**



Source: National Association of Attorneys General.

Six states limit the money laundering offense to proceeds from drug offenses. Other states list specific unlawful activities such as drug trafficking, prostitution, and gambling, that the proceeds must be linked to. Still others require only that the proceeds be tied to unlawful activities not specifically enumerated but generally described with such terms as “racketeering activity,” “any criminal act,” “unlawful conduct,” and “felonious conduct.”

Fourteen states have laws that require that the defendant be proven to have an intent to further the underlying criminal activity. Five states have statutes requiring proof that the defendant knew that the proceeds were derived from unlawful conduct and that the transaction was designed to conceal and/or disguise the origin of the money or to avoid and/or evade reporting requirements.

Association officials also told us the state laws vary in other provisions as well. For example, two states, California and Hawaii, require that the transaction be "through a financial institution." The states also vary as to minimum dollar thresholds that must be met for the crime to have occurred. Similarly, the penalties for the offense vary according to the type of offense and the degree of knowledge or intent involved.

We interviewed law enforcement officials in seven of the states with money laundering laws. Officials in four of these states said that they considered the state law to be of questionable value for prosecuting money laundering offenses. One of the chief complaints was that the elements of the offense are more difficult to prove under state law than federal law. For example, while some state laws require individuals to have actual knowledge of illicit proceeds, the federal statute requires that there be a reason to believe the proceeds are illicit. Proving that proceeds actually came from a specific drug transaction or that a person had actual knowledge of the specifics of the underlying crime is often difficult to establish. Several state officials told us that the laws were rarely, if ever, used and one described that state's law as "unworkable."

Association officials informed us that they expect to report on what elements of state money laundering laws they consider to be crucial by Spring 1993. The report will be made available to states to consider in enacting new legislation or amending current laws.

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## State Currency Transaction Reporting

As discussed in chapter 1, the federal Bank Secrecy Act requires several types of reports, including the Currency Transaction Report (CTR), which is filed by financial institutions for each deposit, withdrawal, exchange of currency, or other payment or transfer that involves a transaction in currency of more than \$10,000. The CTR is the BSA report filed in the heaviest volume (see app. I) and is the BSA report used most by federal law enforcement agencies. The act also provides for criminal and civil penalties for avoiding the reporting requirements.

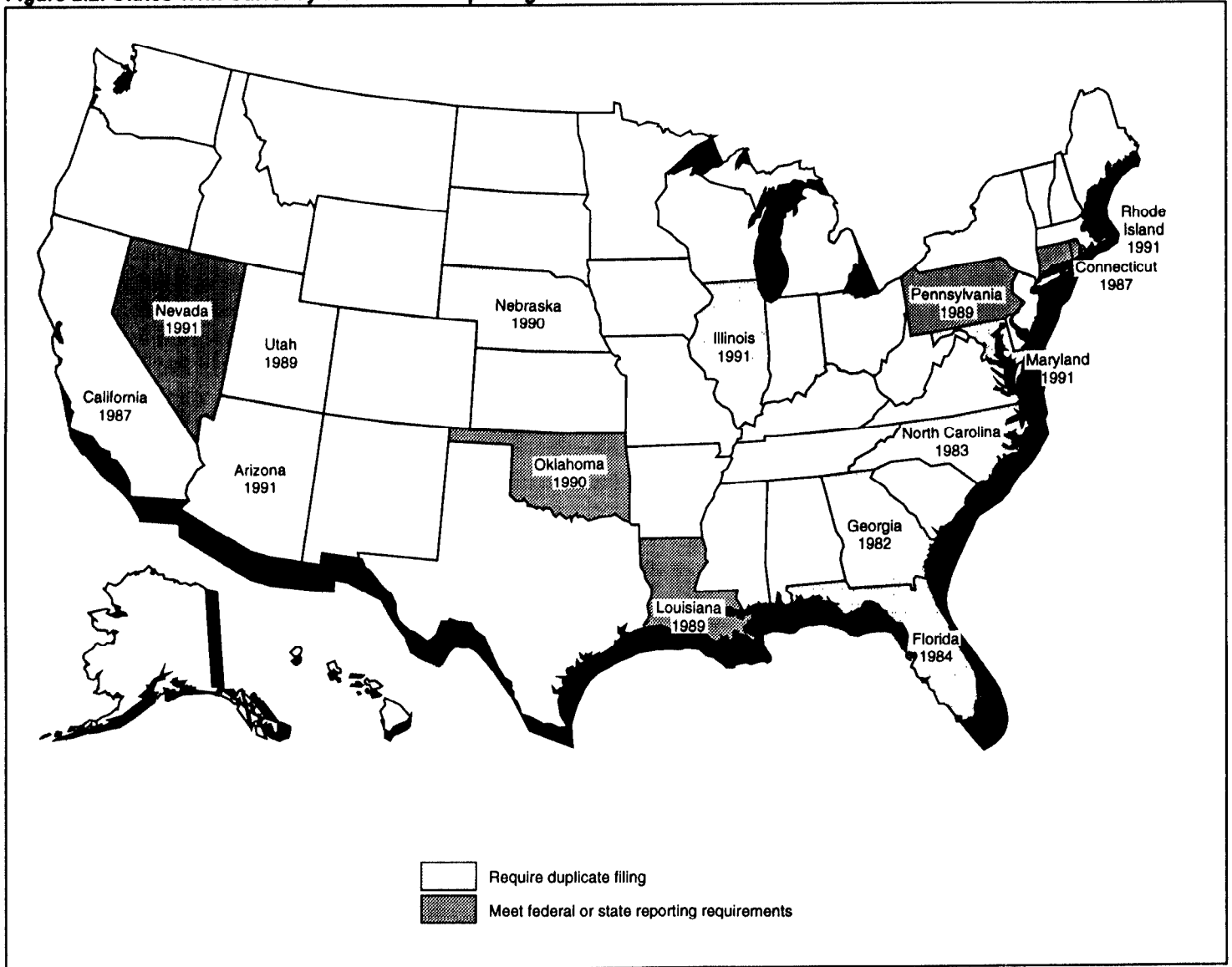
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A number of states have recognized the value of CTRs to law enforcement. We conducted a telephone poll of all the states and identified nine with laws requiring that copies of CTRs be filed with the state and six with laws making it an offense to avoid federal or state reporting provisions. These 15 states are shown in figure 2.2.

**Figure 2.2: States With Currency Transaction Reporting Laws and Year Enacted**



## Use of CTRs by States Is Limited

Several states have found it more efficient to obtain copies of CTRs directly from IRS rather than from those filing the CTRs. Five of the nine states that require duplicate filing of CTRs—Arizona, California, Florida, Illinois, and Maryland—have excused all filers from the requirement. These states—as well as a sixth state, New York—obtain CTR data on computer tapes copied

from IRS tapes.<sup>1</sup> Consequently, these states receive CTRs ready for computer processing and avoid keypunching costs.

Four of these states use computers to analyze the data for intelligence purposes in much the same manner as federal law enforcement agencies. California, Florida, and New York process the data at existing state computer facilities. Arizona has recently acquired a much smaller computer system intended to be used solely for financial intelligence purposes. The system uses equipment normally used for personal computers and a commercially available software package that allows analysts to construct a database of CTR records and to use this information in conjunction with other databases, such as real property tax data, vehicle registration, and business license records. State officials told us that they consider the cost of the system—approximately \$25,000 for equipment and \$50,000 for the software package—to be very economical given the large volume of data being processed.

Illinois and Maryland also receive CTR data on computer tapes from Treasury. Illinois had just begun receiving the data as this report was being prepared and had not completed preparations for processing the data. Although Maryland has been receiving the data for over a year, state officials told us that they have been unable to process it at the state police computer facility because of technical problems and equipment shortages.

Use of the CTRs by the four states that still receive duplicate copies—Georgia, Nebraska, North Carolina, and Utah—has been limited. Although CTRs are filed with Treasury either on paper or on magnetic media,<sup>2</sup> until recently none of these states had the capability of processing copies of those CTRs filed on computer tapes.

Utah was not able to process any of the computer tapes it was receiving until April 1992 when programming difficulties were resolved. Prior to that time, only hard copy CTRs were used. These were periodically reviewed by a state police agent to identify transactions that might warrant further investigation. In April 1992, the state began extracting key information from CTRs filed with the state on magnetic media, printing the data for manual review, and using the data to construct the state's own database.

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<sup>1</sup>Four of these six states also receive other BSA report data. Additional details on the data received and the specifics of the data-sharing agreements are discussed in chapter 3.

<sup>2</sup>The Treasury Department encourages financial institutions to file CTRs on magnetic media and estimates that approximately one-third of all CTRs filed nationwide are filed in this manner.

Copies of those CTRs filed on paper are still reviewed upon receipt, but key information is not extracted for the state's computerized database.

Currently, all copies of CTRs filed with Georgia must be on paper. Key information from the forms is put on the state's computer and a listing of newly reported transactions printed for review by an agent of the Georgia Bureau of Investigation. Officials in Georgia told us that they will accept copies of CTRs filed on magnetic media once they have developed the ability to extract key data as Utah does. Data extracted from the computer tapes will be merged with the data keypunched from the paper copies.

Nebraska and North Carolina do not have the facilities to accept CTRs filed on magnetic media and lack the resources for keypunching data from hard copies. In Nebraska, the forms are reviewed to identify those that warrant further investigation. Nebraska also files the copies it receives. Officials in North Carolina told us that CTRs filed with the state are not used at all by law enforcement. After receipt, they are temporarily held in the mail facility and then destroyed.

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## **Some States Are Attempting to Obtain IRS Form 8300 Data**

As discussed in chapter 1, the IRS Form 8300, Report of Cash Payments Over \$10,000 in a Trade or Business, is used by federal law enforcement agencies to supplement the financial data available from the BSA reports. Federal law enforcement agencies report that the form is extremely useful for identifying large and suspicious currency transactions that occur in the retail sector of the economy. Unlike the BSA reports, however, the requirement for the Form 8300 is contained in the Internal Revenue Code and is treated as tax return information subject to disclosure provisions, which limit its use for law enforcement purposes to federal agencies.

Recognizing the value of the data, five states have enacted legislation requiring merchants who file a Form 8300 with IRS to file a duplicate of the report with the state. Table 2.1 lists these states and the volume of forms filed with the state since the requirement became effective. For comparative purposes, the table also shows the volume of Form 8300s filed with IRS during calendar year 1991.

**Chapter 2**  
**State Efforts Against Money Laundering Are**  
**Increasing but Vary Considerably**

**Table 2.1: States Requiring Duplicate Filing of IRS Form 8300**

<b>State</b>	<b>Effective date of requirement</b>	<b>Form 8300s filed with state</b>	<b>As of</b>	<b>Filed with IRS in CY 1991</b>
Arizona	September 1991	300	May 1992	716
California	January 1991	6,246	February 1992	14,258
Florida	October 1987	558	January 1992	6,567
Maryland	January 1991	6	April 1992	1,073
Utah	April 1989	0	February 1992	159

State officials we spoke with recognized that compliance with the state requirement was low. These officials attributed the low rate of compliance to a general lack of knowledge concerning the state requirement and also to much fewer—in some cases, none—compliance reviews by the state than by IRS. As discussed in chapter 1, IRS has devoted an increasing amount of resources to determining that the federal reporting requirement is met.

Florida and Maryland store the copies of the Form 8300s they receive. Arizona and California put the data on a computer and use it in conjunction with the BSA data they receive from Treasury. We were told by state officials in Arizona and California that even though the data is incomplete, they consider the Form 8300 data to be a valuable addition to the state's financial intelligence data.



# More and Better Access to Federal Data Could Assist States in Fighting Money Laundering

Financial transaction reports required by the Bank Secrecy Act and the Internal Revenue Code are a major part of the federal government's strategy to combat money laundering. Increasing and facilitating the sharing of this data with the states could greatly enhance the utility of the data as well as have a marked impact on the effectiveness of state efforts against money laundering. Increased effectiveness, in turn, could serve to encourage all of the states to develop and implement anti-money laundering strategies.

## Federal Funding to Assist State Money Laundering Initiatives

The Edward Byrne Memorial State and Local Law Enforcement Assistance Program, authorized in the Anti-Drug Abuse Act of 1986 and named to honor a New York City officer slain in the line of duty, is the primary source of federal financial assistance for state and local drug enforcement efforts. Grants awarded under the Program are used for 1 or more of 21 purposes specified by the law, one of which is ". . . Financial investigative programs that target the identification of money laundering operations and assets obtained through illegal drug trafficking, including the development of proposed model legislation, financial investigative training, and financial information sharing systems."

The program is administered by the Bureau of Justice Assistance within the Department of Justice and provides two types of financial assistance: Formula grants and discretionary grants. Most of the funds (\$423 million in fiscal year 1992) are awarded through formula grants, which are allocated among all of the states on a formula basis. The allocation of funds for fiscal year 1992 ranged from a low of \$1.7 million to Wyoming to a high of \$44 million to California. The program requires that each state provide matching funds of 1 dollar for every 3 dollars of formula grants awarded by the federal government and also requires that states distribute a percentage of the funds to local governments.

For fiscal years 1990 and 1991, 19 states reported spending a total of over \$6 million in formula grant funds on 42 projects at the state and local level dealing with money laundering and/or financial investigations. Table 3.1 shows the amount spent and the number of projects for each of these states.

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**Table 3.1: Formula Grant Funds Spent for Money Laundering and/or Financial Investigation Projects Fiscal Years 1990 and 1991**

State	Fiscal year 1990		Fiscal year 1991	
	Amount	Projects	Amount	Projects
Alaska	\$82,730	1	\$82,000	1
California	0	0	\$1,087,420	3
Florida	\$269,952	1	\$415,430	3
Hawaii	\$262,500	2	0	0
Iowa	\$256,110	1	\$256,696	1
Idaho	\$169,548	2	\$313,909	3
Kentucky	\$60,142	1	0	0
Louisiana	\$300,130	3	\$81,983	2
Maine	0	0	\$149,840	1
Maryland	\$110,589	2	\$32,700	1
Mississippi	\$499,980	2	0	0
New Hampshire	\$243,860	1	\$254,256	1
New Mexico	\$43,105	1	0	0
North Carolina	0	0	\$233,138	3
Rhode Island	\$11,500	1	\$31,500	1
Tennessee	\$178,500	1	0	0
Texas	\$21,935	1	0	0
Virginia	0	0	\$469,609	1
Washington	0	0	\$225,000	1
<b>Totals</b>	<b>\$2,510,581</b>	<b>20</b>	<b>\$3,633,481</b>	<b>22</b>

Source: Bureau of Justice Assistance, U.S. Department of Justice.

The program also authorizes discretionary grants, which distribute funds to public and private organizations through a competitive process. By law, total funds appropriated for discretionary grants must not exceed \$50 million per year. Although some of the appropriated discretionary funds must be spent as prescribed by Congress, BJA officials told us that normally about half of the funds are available for projects designated by the Bureau. In fiscal year 1992, "money laundering and financial investigations" was designated 1 of 10 priority areas for funding and program development. Six programs designed to provide technical assistance and training to states and local governments in conducting financial investigations and asset seizure and forfeiture programs were awarded a total of \$3.4 million. Funding was somewhat higher in fiscal year 1991, when eight programs were awarded a total of \$4.25 million—including the grant awarded to the National Association of Attorneys General discussed in chapter 2.

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## Sharing Financial Intelligence Reports

Treasury's Financial Crimes Enforcement Network (FinCEN) was established in April 1990 to "... provide a governmentwide, multi-source intelligence and analytical network in support of the detection, investigation, and prosecution of domestic and international money laundering and other financial crimes by Federal, State, local, and foreign law enforcement agencies." FinCEN has assisted states in several ways.

During 1991, FinCEN arranged and conducted eight seminars and conferences at various locations throughout the country with representatives from state and local jurisdictions attending. Topics discussed during these sessions ranged from general strategic conferences on money laundering to specific problems faced by states bordering Mexico.

FinCEN prepares two publications discussing money laundering trends and updates that are provided to state and local enforcement agencies. In addition, some of the strategic intelligence studies prepared for federal agencies are also provided to state authorities upon request. Examples of these strategic intelligence reports include an analysis of currency movements through financial institutions to identify suspicious cash flow patterns indicative of money laundering. Certain businesses may exhibit atypical cash deposit activity at banks, or the amount of cash within a Federal Reserve District may be abnormally high.

FinCEN also does strategic intelligence research at the specific request of states. At the request of the Washington State Attorney General's Office, FinCEN prepared a February 1992 report addressing the potential for money laundering activity in the state. The report was for the use of the state legislature in considering a bill dealing with money laundering. In December 1991 FinCEN initiated a similar project for Oregon and expects additional requests to follow.

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## Sharing Bank Secrecy Act Data With the States

The Secretary of the Treasury is generally responsible for the administration and enforcement of the Bank Secrecy Act, including dissemination of information reported under the act. The Secretary has delegated this authority to the Assistant Secretary (Enforcement). Under guidelines promulgated by the Assistant Secretary, IRS, the Customs Service, and FinCEN may disclose BSA data to state or local law enforcement agencies on a case-by-case basis under certain provisions, which include the following:

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- Requests must be in writing unless exigent circumstances apply and must state the specific purpose for and intended use of the information.
- All requests must be related to potential or actual violations of a law enforced by the requesting state or local law enforcement agency and must state the identifying information and the underlying violations believed to be involved.
- The state or local law enforcement agency must agree that the information will not be disclosed outside the agency without prior written approval from Treasury.

Requests by state law enforcement agencies for BSA data that are made to IRS are handled through the Service's Criminal Investigation Division in the Service's 63 district offices. From April 1990 through December 1991, the districts recorded a total of 116 requests for BSA data from state and local law enforcement agencies. Table 3.2 shows the number of requests per state.

**Table 3.2: Requests to IRS for BSA Reports From State and Local Law Enforcement Agencies April 1990 Through December 1991**

<b>State</b>	<b>Requests</b>	<b>State</b>	<b>Requests</b>
Alaska	2	Nebraska	3
California	1	New Jersey	1
Colorado	1	New York	2
Connecticut	2	North Carolina	3
Florida	1	Oregon	10
Hawaii	1	Pennsylvania	27
Illinois	1	South Carolina	1
Louisiana	1	Tennessee	1
Maryland	3	Texas	4
Massachusetts	20	Virginia	1
Michigan	16	Wisconsin	11
Minnesota	2	Oklahoma	1

Source: Criminal Investigation Division, IRS.

Centralized data on state requests for BSA data made to the Customs Service is not available but is dispersed across the country at 142 field offices. Officials at Customs' Headquarters estimate that state and local law enforcement agencies make 200 to 300 requests annually. Table 3.3 lists the number of state requests for BSA data that FinCEN met for fiscal years 1990, 1991, and the first half of fiscal year 1992. FinCEN officials told us that requests normally list 5 to 10 suspects each and that in addition to

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determining if BSA data exists, FinCEN will also research other law enforcement and commercial data bases it has access to.

**Table 3.3: Intelligence Reports  
Provided by FinCEN as of March 31,  
1992**

State	Requests	State	Requests
Alabama	6	Missouri	1
Arizona	11	Nebraska	1
Arkansas	1	Nevada	4
California	13	New Hampshire	5
Colorado	6	New Jersey	6
Connecticut	8	New York	17
Florida	11	North Dakota	1
Georgia	28	Ohio	59
Idaho	3	Oklahoma	1
Illinois	118	Oregon	63
Indiana	7	Pennsylvania	37
Kansas	9	South Carolina	1
Kentucky	3	Texas	3
Louisiana	1	Utah	2
Maryland	11	Vermont	2
Massachusetts	1	Virginia	32
Michigan	5	Washington	15
Mississippi	2	Wyoming	1

Source: Financial Crimes Enforcement Network, Department of the Treasury.

As of April 1992 FinCEN was finalizing Memorandums of Understanding with all but one of the states. These agreements allow FinCEN and the states to assist one another in the investigation and analysis of financial and other data subject to resource constraints and applicable state and federal law. The agreements also name centralized points of contact within FinCEN and the states and specify conditions for inquiries and limitations on the use and disclosure of information. In general, all inquiries to FinCEN are to be made in writing, although FinCEN has the right to request from participating states electronic access to any law enforcement records that are maintained in electronic form.

As discussed in chapter 2, six states receive BSA data on magnetic tape. Table 3.4 lists these states and the BSA reports they are receiving.

to states with currency transaction reporting and money laundering legislation of their own. Under the agreements, the states must

- provide Treasury with a list of dissemination partners to whom the data will be provided;
- periodically provide Treasury with statistical information on the number, types, and results of investigations in which the information is used; and
- notify the appropriate IRS or Customs field office of any investigation initiated as a result of the data that involves violations of both state and federal law.

## State Law Enforcement Agencies Would Benefit by Having Access to IRS Form 8300 Data

As previously discussed, Section 6050I was added to the Internal Revenue Code (IRC) in 1984 and requires any person engaged in a trade or business who receives more than \$10,000 in cash payments in a single transaction or series of related transactions to file a report with IRS. IRS Form 8300 is used to file the report. On the form, the recipient of the cash must report, among other information, the name, address, and taxpayer identifying information (such as Social Security number or passport number) of the payer; the amount of cash received; and the date and nature of the transaction giving rise to the payment. Although originally intended primarily as a means of assisting IRS to identify individuals who might be attempting to evade taxes, Form 8300 data are used for both tax administration and law enforcement purposes. Federal law enforcement officials regard the data as extremely useful and a critical complement to Bank Secrecy Act reports. While the reports required by the act can be used to trace movements of cash into and out of financial institutions or across national borders, only the Form 8300 provides information that can be used to (1) trace cash movements into retail sectors of the economy and (2) link abnormal uses of cash to purchase goods or services with possible illicit sources of that cash.

Under the terms of Section 6103 (i)(8) of the Internal Revenue Code, which was added by the Anti-Drug Abuse Act of 1988 (P.L. 100-690), the Secretary of the Treasury was given authority to disclose information from returns filed under section 6050I to “. . . officers and employees of any **Federal** [emphasis added] agency whose official duties require such disclosure for the administration of federal criminal statutes not related to tax administration.” This authority, originally due to expire after 2 years, has been extended once and will now expire in November 1992. We were unable to determine whether the disclosure of returns filed under section 6050I to state law enforcement agencies was considered. Under IRC

Section 6103 (d), nonfederal agencies are allowed access to Form 8300 data for tax purposes. In 1991, IRS provided Form 8300 data to 26 state, local, and territorial governments that had requested it. In 1992, the data was being provided to 25 requesting tax agencies.

In an April 1991 report to Congress, the Department of the Treasury noted that CTRs are disseminated to federal, state, local, and foreign enforcement authorities for criminal enforcement, civil, tax, and regulatory purposes and recommended that IRS Form 8300s be disseminated on the same basis. Another Treasury report to Congress in December of that year repeated the recommendation. More recently, on March 12, 1992, the Subcommittee on Oversight recommended to the House Committee on Ways and Means that Form 8300 information should be more readily available to the law enforcement community and that the Secretary's authority to release the data be made permanent and allow for use of the data on the same basis as BSA reports. As of June 1992, as this report was being prepared, there was no proposed legislation concerning the Subcommittee's recommendation.

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## Conclusions

The reporting requirements of the Bank Secrecy Act have created a database of information that federal law enforcement agencies have found extremely valuable. State law enforcement agencies can access this data on a case-by-case basis with a written request that identifies the suspect or suspects and specifies the offense being investigated.

To provide more direct access to all of the data, 10 states have attempted, with varying degrees of success, to construct their own databases of BSA reports. Four of the 10 states require that copies of one BSA report, the Currency Transaction Report, be filed with the state. The reports have only limited usefulness in three of these states and are not used at all in the fourth.

Six states receive copies of the reports already in a computerized format directly from Treasury that enables them to process the data in their own facilities. We support efforts by Treasury's Office of Financial Enforcement to inform states of the availability of BSA data in this format.

Despite the value of the information to law enforcement, states do not have access to IRS Form 8300 data except for tax purposes. Five states have recognized the usefulness of the data and passed laws requiring duplicate filing of the report at the state level. Low compliance with the state laws, however, has minimized, if not completely negated, the extent

to which the information is used by these states. In view of the fact that the information on the form is no more sensitive than that contained in the BSA reports, we see no reason why states should not have the same access to it as they do to BSA reports. We agree with recommendations made by Treasury and a congressional Subcommittee that the data should be made available on the same basis as BSA reports.

Although a growing number of states have recognized the impact anti-money laundering efforts can have on law enforcement, state efforts to combat it vary considerably. Almost half of the states have enacted legislation to deal with the problem. However, most are making only limited use of available data that could be useful in identifying, investigating, and prosecuting money laundering offenses. We believe that making federal BSA data more readily accessible in a format ready for computer processing provides an incentive for more states to combat money laundering with a multifaceted approach that includes legislation and financial intelligence data. Allowing states access to IRS Form 8300 data would, in our opinion, provide even more of an incentive.

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## **Recommendations to Congress**

We recommend that the authority of the Secretary of the Treasury to disclose information from returns filed under Section 6050I of the Internal Revenue Code—IRS Form 8300s—be made permanent. We also recommend that Section 6103 of the code be amended to allow the Secretary of the Treasury the authority to disclose these returns to state law enforcement agencies.

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## **Recommendation to the Department of the Treasury**

Should the states be given access to the information on IRS Form 8300s, we recommend that the Department of the Treasury make it available to states on magnetic media ready for computer processing on the same basis as Bank Secrecy Act data is currently available.

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## **Agency Comments**

A draft of this report was provided to IRS and the Department of the Treasury for comment. IRS provided written comments on the report (see app. II) in which the IRS Commissioner stated that she supported our recommendations to Congress to make the Treasury Secretary's disclosure authority for Form 8300 data permanent and to amend the disclosure provisions of the Internal Revenue Code to allow states access to the data on the same basis as federal enforcement agencies. Although there was no direct reference to our recommendation that Treasury make the Form 8300 data available on magnetic media, the Commissioner stated that



should the disclosure provisions be amended, IRS would work closely with Treasury to provide access to the states. The Commissioner noted that the involvement of the states in money laundering investigations and related issues can have a direct impact on IRS. She pointed out that IRS is responsible for reviewing Bank Secrecy Act compliance of an estimated 50,000 nonbank financial institutions and that many of these institutions are not regulated at the state or local level. IRS examinations and criminal investigations, we were told, have demonstrated a need for recordkeeping requirements and education about BSA requirements. She suggested that we should consider these issues.

We agree with the Commissioner that the large number of nonbank financial institutions across the country makes it extremely difficult for IRS to enforce Bank Secrecy Act requirements at these institutions. The assistance of the states would be extremely valuable. In our opinion, however, state assistance in enforcing the act does not necessarily require establishing a regulatory framework for these types of institutions at the state level. As discussed in chapter 2, six states currently have laws that make it an offense to avoid the federal or state currency transaction reporting requirement. By enforcing these statutes, these six states are furthering their own law enforcement objectives by gaining useful information while also ensuring that BSA requirements are being met. The more states that enact and enforce this type of legislation, the more resources that will be available to assist IRS in reviewing BSA compliance.

The Department of the Treasury, in a response prepared by the Office of Financial Enforcement, suggested several technical corrections dealing with Treasury's regulations for enforcing the Bank Secrecy Act, and we have amended the report as appropriate. (See app. III). Treasury also informed us that FinCEN is proposing an alternative to states receiving BSA data from Treasury on magnetic media. Under this proposal, states would be able to access a centralized database of BSA reports from all of the states via a computer network. States would have access to the network under the same guidelines now used by states that receive BSA data on magnetic tape.

Although there are a number of details that would have to be resolved—most notably the need for adequate controls to ensure only authorized access—we fully endorse FinCEN's efforts in this regard. If successfully implemented, such a computer network would make cost-effective access to BSA data available to all of the states. Moreover, this type of access could serve as an additional incentive for more states to

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combat money laundering. Should state law enforcement agencies be given access to IRS Form 8300 data, we would urge FinCEN to expand the scope of its proposal to include this type of information as well.

# Bank Secrecy Act Reports and IRS Form 8300s Filed With IRS, Calendar Years 1985 Through 1991

State	1985	1986	1987	1988	1989	1990	1991
<b>Alabama</b>							
CTRs	5.6	23.1	30.5	32.3	38.3	50.9	57.2
CMIRs	161	170	195	221	249	302	345
FBARs	255	21	18	221	250	360	294
CTRCs	0	0	0	0	0	0	0
Form 8300s	60	66	107	81	157	398	465
<b>Alaska</b>							
CTRs	3.4	8.9	15.0	15.4	17.2	22.1	22.9
CMIRs	162	195	257	334	295	295	359
FBARs	218	44	43	179	197	203	269
CTRCs	0	0	0	0	0	0	0
Form 8300s	35	33	41	52	88	73	176
<b>Arizona</b>							
CTRs	18.0	34.2	47.8	55.6	62.0	75.3	115.9
CMIRs	4,462	6,169	8,343	7,650	8,207	7,849	7,358
FBARs	1,007	153	116	903	1,001	952	975
CTRCs	0	0	0	0	0	0	0
Form 8300s	95	100	113	121	225	343	716
<b>Arkansas</b>							
CTRs	2.8	9.7	15.8	21.9	25.8	31.2	35.3
CMIRs	43	57	50	60	83	79	112
FBARs	126	4	8	126	139	136	139
CTRCs	0	0	0	0	0	0	0
Form 8300s	17	39	41	31	105	227	439
<b>California</b>							
CTRs	309.4	552.5	762.8	854.7	981.5	1,074.6	1,034.7
CMIRs	31,706	31,083	29,504	35,839	39,483	41,847	48,212
FBARs	13,338	1,975	1,877	12,097	12,499	12,867	13,441
CTRCs	1	3	1	1	4	0	14
Form 8300s	1,934	1,847	2,251	4,527	4,448	4,961	14,258
<b>Colorado</b>							
CTRs	8.3	19.1	30.3	34.8	38.7	48.6	54.3
CMIRs	490	443	455	639	718	760	1,028
FBARs	1,150	162	148	983	1,061	1,052	1,066
CTRCs	0	0	0	0	0	0	0
Form 8300s	65	56	61	102	131	188	829
<b>Connecticut</b>							
CTRs	26.3	53.1	80.8	93.9	91.7	101.7	98.7

(continued)

**Appendix I  
Bank Secrecy Act Reports and IRS Form  
8300s Filed With IRS, Calendar Years 1985  
Through 1991**

<b>State</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
CMIRs	329	268	304	383	379	437	654
FBARs	2,346	337	286	2,285	2,429	2,442	2,566
CTRCs	0	0	0	0	0	0	0
Form 8300s	42	82	66	56	94	1,115	1,521
<b>Delaware</b>							
CTRs	2.6	7.2	15.2	16.7	18.7	26.9	39.1
CMIRs	42	47	46	78	76	73	110
FBARs	310	37	27	290	300	326	412
CTRCs	0	0	0	0	0	0	0
Form 8300s	13	17	24	27	31	44	89
<b>Florida</b>							
CTRs	215.6	316.2	402.0	439.6	483.1	520.4	598.5
CMIRs	32,747	33,081	33,728	34,800	40,847	46,539	48,873
FBARs	5,830	711	701	5,342	5,441	5,577	5,923
CTRCs	0	0	0	0	0	0	1
Form 8300s	1,419	1,980	2,182	2,104	2,814	3,351	6,567
<b>Georgia</b>							
CTRs	28.2	64.0	96.4	123.1	140.4	166.3	186.2
CMIRs	970	934	1,074	1,436	1,583	1,945	2,106
FBARs	776	116	105	906	1,198	1,225	1,222
CTRCs	0	0	0	0	0	0	0
Form 8300s	131	181	195	238	304	482	1,079
<b>Hawaii</b>							
CTRs	7.0	19.3	27.3	31.3	36.7	41.9	52.5
CMIRs	3,080	3,520	5,634	9,203	10,723	10,651	7,926
FBARs	465	68	76	460	503	568	609
CTRCs	0	0	0	0	0	0	0
Form 8300s	18	38	67	90	142	160	225
<b>Idaho</b>							
CTRs	1.5	5.2	10.1	11.9	16.5	19.8	20.6
CMIRs	52	35	46	52	54	98	187
FBARs	127	11	13	158	130	132	151
CTRCs	0	0	0	0	0	0	0
Form 8300s	3	6	9	13	275	60	140
<b>Illinois</b>							
CTRs	34.7	79.6	118.4	200.9	230.0	271.4	312.0
CMIRs	2,016	2,298	2,877	3,611	4,146	4,383	4,764
FBARs	3,687	510	465	3,286	3,941	4,075	4,353
CTRCs	0	0	0	0	0	0	24

(continued)

**Appendix I  
Bank Secrecy Act Reports and IRS Form  
8300s Filed With IRS, Calendar Years 1985  
Through 1991**

<b>State</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
Form 8300s	145	228	279	510	469	545	1,762
<b>Indiana</b>							
CTRs	7.4	25.5	64.8	73.6	97.4	114.4	128.0
CMIRs	214	220	282	327	423	445	528
FBARs	759	85	95	727	797	1,109	1,069
CTRCs	0	0	0	0	0	0	0
Form 8300s	89	87	108	118	238	305	680
<b>Iowa</b>							
CTRs	2.6	12.8	11.6	13.0	16.2	25.9	31.4
CMIRs	145	189	176	294	269	295	324
FBARs	323	31	22	255	313	334	361
CTRCs	0	0	0	0	0	0	0
Form 8300s	56	47	40	70	58	66	193
<b>Kansas</b>							
CTRs	1.5	2.4	5.5	8.0	10.9	16.1	17.8
CMIRs	180	207	223	328	372	371	438
FBARs	336	36	21	280	312	302	287
CTRCs	0	0	0	0	0	0	0
Form 8300s	24	16	21	22	54	114	198
<b>Kentucky</b>							
CTRs	9.1	15.5	28.0	40.7	45.5	55.0	67.4
CMIRs	83	95	90	134	140	175	178
FBARs	267	44	45	373	441	551	499
CTRCs	0	0	0	0	0	0	0
Form 8300s	35	59	73	89	106	120	530
<b>Louisiana</b>							
CTRs	16.8	33.2	60.9	72.4	106.4	120.7	128.9
CMIRs	975	921	860	944	1,015	1,050	914
FBARs	536	70	65	445	532	496	519
CTRCs	0	0	0	0	0	0	0
Form 8300s	70	106	102	231	299	670	1,169
<b>Maine</b>							
CTRs	5.8	13.6	23.2	25.6	30.7	35.2	40.8
CMIRs	878	912	942	833	796	1,078	2,007
FBARs	502	67	59	423	433	415	484
CTRCs	0	0	0	0	0	0	0
Form 8300s	11	23	60	80	42	31	146
<b>Maryland</b>							
CTRs	34.0	61.0	90.3	129.8	149.5	179.1	227.7

(continued)

**Appendix I  
Bank Secrecy Act Reports and IRS Form  
8300s Filed With IRS, Calendar Years 1985  
Through 1991**

<b>State</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
CMIRs	693	778	855	1,201	1,137	1,463	1,452
FBARs	2,376	337	300	2,245	2,390	2,455	2,349
CTRCs	0	0	0	0	0	0	0
Form 8300s	133	162	186	276	372	432	1,073
<b>Massachusetts</b>							
CTRs	108.0	198.9	257.4	269.0	279.6	288.3	284.7
CMIRs	1,822	1,894	1,843	2,476	2,738	3,024	3,108
FBARs	2,870	395	422	2,659	2,760	2,883	2,996
CTRCs	0	0	0	0	0	0	0
Form 8300s	92	132	184	226	255	359	2,968
<b>Michigan</b>							
CTRs	46.7	189.6	260.4	273.2	292.1	308.0	319.0
CMIRs	1,554	1,218	2,347	3,701	4,593	5,299	6,221
FBARs	3,721	370	317	3,424	3,484	3,699	4,077
CTRCs	0	0	0	0	0	0	0
Form 8300s	214	358	343	362	580	882	2,572
<b>Minnesota</b>							
CTRs	8.3	24.0	33.9	41.5	48.9	63.8	69.2
CMIRs	512	503	559	726	890	1,231	1,747
FBARs	1,060	122	113	1,002	1,009	1,101	1,101
CTRCs	0	0	0	0	0	0	7
Form 8300s	23	40	74	72	80	110	467
<b>Mississippi</b>							
CTRs	5.8	16.6	24.7	28.1	30.7	36.9	40.7
CMIRs	89	101	111	242	688	1,878	2,071
FBARs	104	9	8	87	98	108	126
CTRCs	0	0	0	0	2	0	0
Form 8300s	29	41	41	47	122	144	287
<b>Missouri</b>							
CTRs	5.5	15.2	42.9	47.3	56.4	74.4	93.9
CMIRs	322	345	380	639	655	680	764
FBARs	810	99	115	1,068	1,060	1,044	941
CTRCs	0	0	0	0	0	0	0
Form 8300s	53	441	715	505	1,034	1,317	1,919
<b>Montana</b>							
CTRs	1.6	2.9	5.8	5.9	6.6	9.8	13.2
CMIRs	121	115	105	114	138	157	264
FBARs	193	25	23	155	155	159	154
CTRCs	0	0	0	0	0	0	0

(continued)

**Appendix I  
Bank Secrecy Act Reports and IRS Form  
8300s Filed With IRS, Calendar Years 1985  
Through 1991**

<b>State</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
Form 8300s	9	16	17	11	19	26	53
<b>Nebraska</b>							
CTRs	1.6	8.5	13.0	13.0	12.7	16.8	18.9
CMIRs	65	85	82	98	114	129	138
FBARs	139	12	6	131	158	165	168
CTRCs	0	0	0	0	0	0	0
Form 8300s	11	19	16	26	36	42	92
<b>Nevada</b>							
CTRs	47.3	83.2	97.8	118.1	114.8	118.5	120.2
CMIRs	919	906	969	1,270	1,418	1,509	1,523
FBARs	326	44	39	322	368	336	399
CTRCs	8,354	12,063	14,745	17,564	24,605	30,710	29,885
Form 8300s	70	116	114	231	275	199	413
<b>New Hampshire</b>							
CTRs	2.6	16.8	27.1	31.2	35.0	37.7	44.1
CMIRs	83	82	63	100	94	165	179
FBARs	511	68	72	434	496	483	478
CTRCs	0	0	0	0	0	0	0
Form 8300s	23	20	31	76	50	92	178
<b>New Jersey</b>							
CTRs	79.4	142.0	202.3	223.0	242.3	260.9	270.3
CMIRs	1,519	2,216	1,643	2,309	2,547	3,437	4,072
FBARs	3,633	359	361	3,658	3,825	3,925	3,917
CTRCs	13,050	16,633	31,088	29,589	28,148	31,578	29,328
Form 8300s	620	904	874	877	1,019	1,473	3,952
<b>New Mexico</b>							
CTRs	3.7	7.5	12.8	16.3	20.5	24.5	29.8
CMIRs	172	185	206	282	271	285	332
FBARs	291	50	43	247	270	280	284
CTRCs	0	0	0	0	0	0	0
Form 8300s	23	26	33	47	58	109	241
<b>New York</b>							
CTRs	364.0	594.4	669.5	728.8	790.8	867.9	868.4
CMIRs	24,771	22,825	24,181	27,417	29,449	31,548	39,105
FBARs	12,888	1,908	1,772	12,072	13,275	13,209	13,490
CTRCs	1	1	0	0	0	0	1
Form 8300s	762	2,108	2,358	2,872	3,856	4,107	9,836
<b>North Carolina</b>							
CTRs	20.3	106.9	138.4	146.7	168.0	190.4	203.0

(continued)

**Appendix I  
Bank Secrecy Act Reports and IRS Form  
8300s Filed With IRS, Calendar Years 1985  
Through 1991**

<b>State</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
CMIRs	250	355	302	434	515	579	754
FBARs	953	119	103	895	1,066	1,133	1,136
CTRCs	0	0	0	0	0	0	0
Form 8300s	158	288	265	270	333	676	1,017
<b>North Dakota</b>							
CTRs	0.5	1.7	3.4	3.6	4.1	5.5	6.8
CMIRs	211	216	196	267	377	473	560
FBARs	193	12	21	190	182	171	174
CTRCs	0	0	0	0	0	0	0
Form 8300s	3	3	0	3	28	10	46
<b>Ohio</b>							
CTRs	43.9	90.4	169.4	183.8	193.4	222.8	252.1
CMIRs	596	630	731	1,029	1,096	1,124	1,270
FBARs	2,284	281	227	2,315	2,489	2,872	3,062
CTRCs	0	0	0	0	0	0	0
Form 8300s	118	197	374	331	557	498	1,334
<b>Oklahoma</b>							
CTRs	6.0	13.8	27.7	34.2	39.4	45.0	49.6
CMIRs	277	281	300	383	466	475	552
FBARs	466	54	45	421	420	467	509
CTRCs	0	0	0	0	0	0	0
Form 8300s	32	36	65	55	71	158	484
<b>Oregon</b>							
CTRs	5.1	25.6	41.4	48.9	65.8	77.8	75.5
CMIRs	310	283	421	1,367	2,003	2,280	1,896
FBARs	760	87	80	681	754	776	842
CTRCs	0	0	0	0	0	0	0
Form 8300s	65	150	99	113	108	162	826
<b>Pennsylvania</b>							
CTRs	65.7	135.1	216.3	260.1	295.7	321.0	347.5
CMIRs	737	835	910	1,180	1,309	1,385	1,682
FBARs	2,223	271	233	2,045	2,277	2,366	2,345
CTRCs	0	0	0	0	0	0	0
Form 8300s	322	444	488	576	756	1,169	1,993
<b>Rhode Island</b>							
CTRs	9.8	29.9	39.8	42.2	43.0	42.1	44.0
CMIRs	71	80	104	160	123	141	187
FBARs	253	28	22	278	252	298	321
CTRCs	0	0	0	0	0	0	0

(continued)



**Appendix I  
Bank Secrecy Act Reports and IRS Form  
8300s Filed With IRS, Calendar Years 1985  
Through 1991**

<b>State</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
Form 8300s	8	13	29	94	23	39	131
<b>South Carolina</b>							
CTRs	28.0	83.4	105.5	113.9	113.3	115.6	117.3
CMIRs	126	170	178	226	308	279	274
FBARs	308	46	39	271	317	362	405
CTRCs	0	0	0	0	0	0	0
Form 8300s	60	88	85	109	146	183	442
<b>South Dakota</b>							
CTRs	0.4	2.3	2.7	2.7	3.2	9.1	12.7
CMIRs	33	41	30	24	59	45	37
FBARs	47	1	1	42	55	47	55
CTRCs	0	0	0	0	0	4	0
Form 8300s	6	5	13	6	11	11	27
<b>Tennessee</b>							
CTRs	9.1	19.0	35.2	56.0	79.1	110.6	137.0
CMIRs	191	194	241	307	364	394	496
FBARs	507	63	65	522	603	616	794
CTRCs	0	0	0	0	0	0	0
Form 8300s	124	167	169	207	270	270	617
<b>Texas</b>							
CTRs	153.0	233.4	318.1	414.5	477.2	552.1	630.1
CMIRs	33,167	32,579	31,005	44,185	38,623	35,367	37,755
FBARs	4,981	809	671	4,463	4,859	5,218	5,795
CTRCs	0	0	26	46	41	170	73
Form 8300s	600	799	1,036	1,973	2,664	3,449	5,893
<b>Utah</b>							
CTRs	1.6	4.7	10.6	15.4	20.8	28.3	41.6
CMIRs	149	152	177	221	241	296	364
FBARs	203	54	53	208	234	220	216
CTRCs	5	8	3	7	12	22	21
Form 8300s	8	19	8	11	25	51	159
<b>Vermont</b>							
CTRs	1.5	4.2	7.0	8.9	8.9	10.5	12.0
CMIRs	128	129	144	152	221	219	548
FBARs	308	45	48	329	382	404	424
CTRCs	0	0	0	0	0	0	0
Form 8300s	6	2	7	5	49	16	35
<b>Virginia</b>							
CTRs	21.9	43.9	68.1	98.7	122.6	144.3	168.2

(continued)

**Appendix I  
Bank Secrecy Act Reports and IRS Form  
8300s Filed With IRS, Calendar Years 1985  
Through 1991**

<b>State</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
CMIRs	751	657	771	858	1,075	1,099	1,219
FBARs	1,782	211	179	1,711	1,870	1,934	1,974
CTRCs	0	0	0	0	0	0	0
Form 8300s	85	176	204	242	341	436	1,141
<b>Washington</b>							
CTRs	22.1	51.1	73.7	98.0	118.4	122.3	131.6
CMIRs	3,230	3,156	3,318	4,625	4,977	5,558	6,207
FBARs	2,617	278	279	2,404	2,482	2,478	2,669
CTRCs	0	0	0	0	0	0	0
Form 8300s	69	87	92	323	278	299	553
<b>West Virginia</b>							
CTRs	3.3	5.7	10.8	13.3	15.3	20.8	26.0
CMIRs	34	23	38	30	30	34	57
FBARs	114	17	9	133	155	167	123
CTRCs	0	0	0	0	0	0	1
Form 8300s	26	41	50	53	63	101	428
<b>Wisconsin</b>							
CTRs	4.0	7.1	19.4	27.9	35.9	51.6	59.5
CMIRs	206	222	299	369	461	504	575
FBARs	771	75	62	670	655	770	799
CTRCs	0	0	0	0	0	0	0
Form 8300s	40	105	96	99	157	224	367
<b>Wyoming</b>							
CTRs	0.6	1.7	2.4	2.5	3.0	6.3	7.4
CMIRs	13	11	10	22	26	26	20
FBARs	77	6	16	93	93	95	99
CTRCs	0	0	0	0	0	0	0
Form 8300s	1	5	5	18	11	17	32

Note 1: Reports required by the Bank Secrecy Act are the Currency Transaction Report (CTR), Report of International Transportation of Currency or Monetary Instruments (CMIR), Report of Foreign Bank and Financial Accounts (FBAR), and Currency Transaction Report by Casino (CTRC). See page 9 for a more detailed discussion of these forms and the IRS Form 8300.

Note 2: Volume of CTRs filed per state is shown with 000s omitted.

Note 3: Volume of CMIRs are for any report related to the state, i.e., the filer reported a permanent or temporary address in the state, the owner of the funds had a address in the state, the funds were moved to or from the state, a U.S. visa was issued in the state, or the report was filed with a U.S. Customs port in the state. Any CMIR filing is counted only once within a state but may be counted more than once on a nationwide basis.

Source: IRS and U.S. Customs Service.

# Comments From the Internal Revenue Service

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



COMMISSIONER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D. C. 20224

SEP - 4 1992

Mr. Richard L. Fogel  
Assistant Comptroller General  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Fogel:

We have reviewed your recent draft report entitled "Money Laundering: State Efforts to Fight It Are Increasing But More Federal Help Is Needed" as requested by your letter of August 11, 1992.

Greater access, use and analysis of reports filed on receipts of cash over \$10,000 by businesses (Form 8300 data) will assist enforcement of the Money Laundering and Bank Secrecy Act statutes. Therefore, IRS supports the GAO draft report's recommendation to amend the disclosure provisions of the Internal Revenue Code to allow states access to IRS Form 8300 data on the same basis as federal enforcement agencies. If the disclosure provisions are so amended, IRS would work closely with the Treasury Department to provide access to the states.

You are probably aware that the current authority to disclose the Form 8300 data to other federal agencies expires in November 1992. To facilitate greater access and use of the Form 8300 data, disclosure authority should be made permanent.

The GAO draft report also addresses how various states are using Bank Secrecy Act data, and to what extent. States' involvement in money laundering investigations and related issues can have a direct impact on the Service. The Examination function currently conducts BSA audits on non-bank financial institutions. It is estimated that there are more than 50,000 such institutions, nationally. The Examination audits, as well as criminal investigations involving such institutions, have demonstrated the need for recordkeeping requirements and education as to BSA requirements. Many such institutions are totally unregulated by local and state governmental agencies. These issues were not addressed in the draft GAO report. It is suggested that consideration be given to these issues.

See pp. 31 and 32.

**Appendix II**  
**Comments From the Internal Revenue**  
**Service**

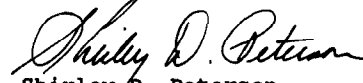
-2-

Mr. Richard L. Fogel

Thank you for the opportunity to review this draft report.  
If you have additional questions, please do not hesitate to  
contact us.

With best regards.

Sincerely,

  
Shirley D. Peterson

# Comments From the Department of the Treasury

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF THE TREASURY  
WASHINGTON

SEP 2 1992

Richard L. Fogel  
Assistant Comptroller General  
United States  
General Accounting Office  
Washington, D.C. 20548

Dear Mr. Fogel:

Your letter to Secretary Brady dated August 11, 1992, has been referred to me for response. Treasury's Office of Financial Enforcement and the Financial Crimes Enforcement Network have carefully reviewed and submit for your consideration the following suggested changes to GAO's Draft Report entitled "Money Laundering: State Efforts to Fight It Are Increasing But More Federal Help Is Needed."

Now p. 9.

Beginning in Chapter One, on page 11. In the last full paragraph which discusses Treasury Form TDF 90-22.1, the term "individuals" should be replaced with "U.S. persons." The term "U.S. Persons" is used in the applicable regulation (31 CFR § 103.24) which affects not only individuals but legally cognizable entities (i.e. persons) which are subject to U.S. jurisdiction.

See comment 1.

Now p. 9.

Footnote 1, also found on page 11 of Chapter One, should be amended as follows:

See comment 2.

"As defined by Treasury, "financial institutions" includes banks, security brokers or dealers, currency dealers or exchangers, funds transmitters, check cashing businesses, licensed casinos with gross annual gaming revenues in excess of \$1,000,000, and persons subject to supervision by state or federal bank supervisory authority."

Now p. 10.

See comment 3.

Continuing in Chapter One, on page 12, the first sentence of the fourth paragraph should be amended as follows. "Authority to examine federally regulated financial institutions to determine compliance with BSA requirements rests with the regulatory agency that oversees the institution."

Now p. 31.

Finally, in Chapter Three, on page 28, the following paragraph should be inserted at the conclusion of your discussion regarding Treasury's Memorandum of Understanding with state authorities for the sharing of BSA data.

Appendix III  
Comments From the Department of the  
Treasury

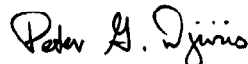
- 2 -

-- notify the appropriate IRS or Customs field office of any investigation initiated as a result of the data that involves violations of both state and federal law.

As an alternative to each state establishing a data base with the tape extract mentioned above, FinCEN is developing a proposal that would allow the states to access BSA data through a computer network. This service would be available to states that meet the Treasury guidelines for receiving a tape extract. FinCEN is prepared to implement this concept if the necessary funding issues can be resolved."

Treasury's Office of Financial Enforcement and FinCEN appreciate this opportunity to work with the GAO in the preparation of its report regarding state efforts to combat money laundering and look forward to collaboration on other matters of mutual concern. Should you have any questions regarding our suggested amendments to the Draft Report, please do not hesitate to write or to call Carlos Correa of my staff (622-0400).

Sincerely,



Peter G. Djinis  
Director  
Office of Financial Enforcement

See comment 4.

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The following are our comments on Treasury's letter dated September 2, 1992.

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**GAO Comments**

1. Text amended as suggested.
2. Footnote supplemented as suggested.
3. The sentence was amended as suggested so that "authority" was substituted for "responsibility."
4. The bulleted item referring to notification of the appropriate IRS or Customs office appeared in the draft report furnished Treasury. We did not insert the paragraph dealing with the FinCEN alternative in the report as suggested. Instead, the proposal being considered is discussed on p. 32 of the report.

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# Major Contributors to This Report

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**General Government  
Division, Washington,  
D.C.**

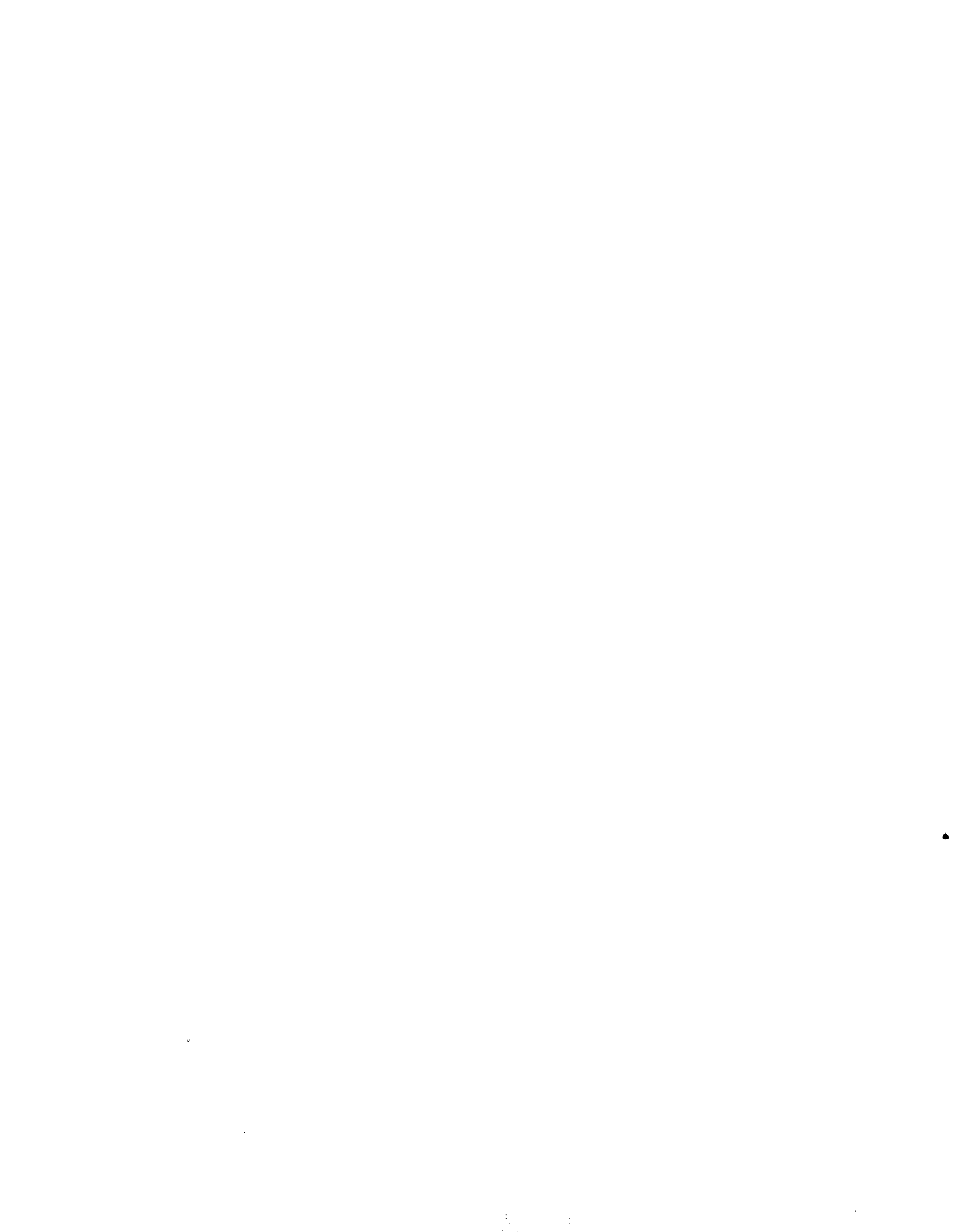
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