PROJECT GATEWAY

Identifying and Tracing Criminal Proceeds at the State and Local Levels

GATEWAY

1998 ANNUAL REPORT

The Financial Crimes Enforcement Network (FinCEN) was established by the Department of the Treasury 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." One way that FinCEN supports law enforcement is by maintaining a database of reports of large currency and suspicious transactions. State and local agencies access this data through Project Gateway.

What is Project Gateway?

Project Gateway was initiated by FinCEN on September 1, 1993, in Texas on a test basis. By the end of 1994, every state in the Union, as well as the District of Columbia, was participating in the program. In 1997, Puerto Rico was included in the program.

The "Gateway" concept is a relatively simple one. FinCEN provides passwords to selected individuals in designated state law enforcement agencies that allow for direct, on-line access by computer modem and telephone line to a computer database of over 120 million reports of large currency and suspicious transaction reports at the IRS Detroit Computing Center. Individuals with passwords can research investigations from their own agency as well as investigations from other agencies in that state or county or city law enforcement offices within the state.

These are the reports available through Project Gateway:

· **Currency Transaction Report**—Required to be filed by financial institutions for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to such institution that involves a transaction in currency of more than $10,000. In 1998 there were approximately 12.5 million of these forms filed.

· **Currency Transaction Report by Casino**—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. Over 220,000 were filed in 1998.

· **Report of International Transportation of Currency or Monetary Instruments**—Required to be filed at the time of transporting currency or monetary instruments over $10,000 from or into the United States. Approximately 90,000 were filed in 1998.

· **Report of Foreign Bank and Financial Accounts**—Required to be filed annually by 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. Almost 165,000 were filed in 1998.

· **Suspicious Activity Report**—Filed by banks and other financial institutions to report possible criminal activity affecting or conducted through the institution. This is the most recent of the reports available through Project Gateway and was initiated in April 1996. As of December 31, 1998, over 226,000 of these reports have been filed.
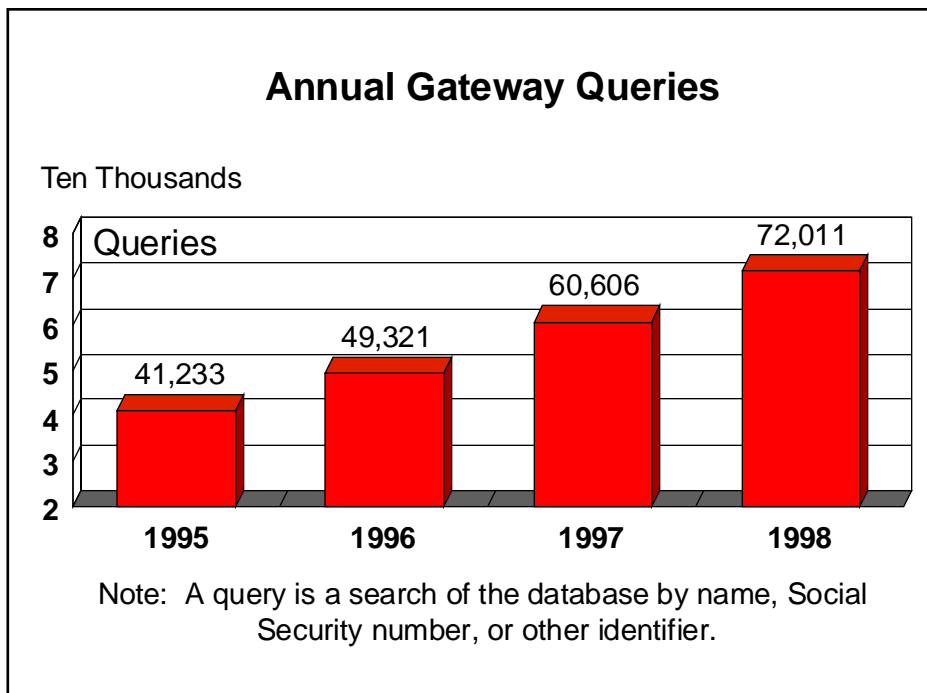
Project Gateway allows password holders to determine if the subject of an ongoing investigation or prosecution has been involved in a large currency or suspicious transaction. The password holder types in the name, social security number, or other identifying piece of information and, if any reports have been filed involving that individual, they will appear on the computer screen. FinCEN trained 182 new password holders during 1998. At the end of the year, there were a total of 591 Gateway users.

Gateway Use Continues to Grow

Figure I

As figure I demonstrates, the use of Gateway has grown dramatically in the past four years, averaging an annual growth rate of slightly over 20 percent.

In 1998 there were a total of 72,011 queries made through Project Gateway. These queries resulted in 51,236 "hits" —that is, reports that were identified by the computer as possibly being associated with the subject of the query. After additional analysis by the Gateway operators, almost half (48 percent) of the reports were determined to directly relate to the subjects under investigation. These 24,571 reports amounted to over $4.2 billion in transactions. As shown in Figure II, most of the reports that related to ongoing investigations were the Currency Transaction Reports.

Annual Gateway Queries

Ten Thousand

Queries

Year	Value
1995	41,233
1996	49,321
1997	60,606
1998	72,011

Note: A query is a search of the database by name, Social Security number, or other identifier.

As shown in Figure III, a total of 3,997 individual cases were researched on Gateway in 1998, up slightly from the 3,628 cases researched in 1997. The 1998 cases had a total of 10,268 subjects identified, up significantly from the 7,199 subjects identified in 1997 cases.
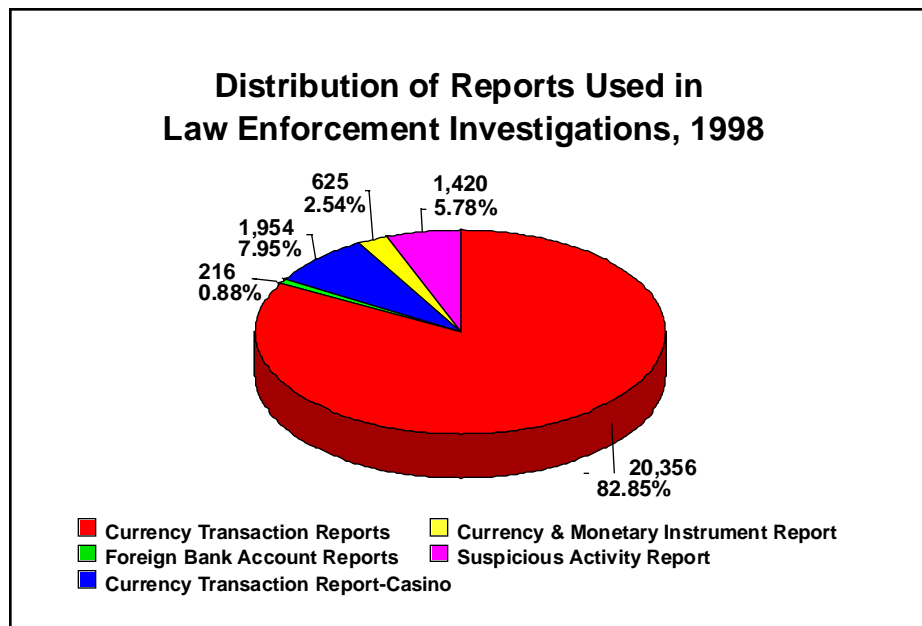
One third of the 3,997 cases researched on Gateway in 1998 were cases being investigated by a state or local agency other than that of the actual Gateway user. This figure is up significantly from 1997 when less than 10 percent of the cases being researched on Gateway were "other" agency cases.

Every subject that is researched via Gateway is checked against a list of previous Gateway queries to determine if they were the subject of a previous

Figure II

**Distribution of Reports Used in
Law Enforcement Investigations, 1998**

	Value	Percent
625		2.54%
1,420		5.78%
1,954		7.95%
216		0.88%
20,356		82.85%

■ Currency Transaction Reports
■ Foreign Bank Account Reports
■ Currency Transaction Report-Casino
□ Currency & Monetary Instrument Report
■ Suspicious Activity Report

3

Gateway search. FinCEN also determines whether Gateway subjects were previously researched by FinCEN analysts in support of a federal, state, or local investigation or appear on the Defense Clearance and Investigative Index, DEA's Narcotics and Dangerous Drugs Information System, or the Treasury Enforcement Communication System. If it is determined that a Gateway subject was included in a previous investigation, an "alert" is sent to the Gateway user advising him or her of previous interest in that subject by other law enforcement agencies. In 1997 there were a total of 680 alerts issued. This figure more than doubled in 1998 to a total of 1,577 alerts.

Beginning in 1996, Gateway users were offered the opportunity of having FinCEN analysts research subjects on a commercial database service by sending the name of the individual to FinCEN electronically. In 1998 FinCEN performed 5,353 of these checks for Gateway users compared to 4,541 in 1997.

Use of Gateway per Individual State

Table I below shows the total number of queries made by every state since Project Gateway was initiated. These figures can be somewhat misleading, however, as the states began using Gateway on a staggered basis. Consequently, average monthly use during 1998 gives a better indication as to the extent to which each state is using Gateway. Given the differences in populations, however, it is best to look at these monthly averages on a per capita basis.

Figure III
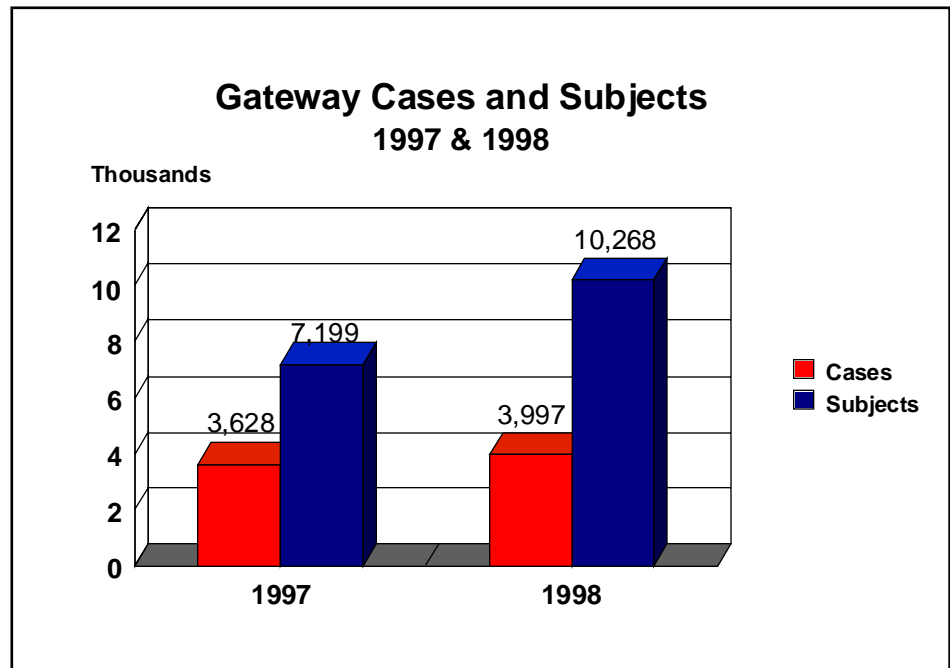
Consequently, Table I also provides a ranking of the states in terms of monthly volume of Gateway queries on a per capita basis.

Table I: Gateway Use By State

	Total Queries As of December 31, 1998	Avg. Queries per Month, 1998	Ranking By Per Capita Use
Alabama	6,144	68	22
Alaska	423	1	48
Arizona	5,451	241	6
Arkansas	1,418	60	16
California	20,981	522	21
Colorado	777	18	43
Connecticut	2,663	55	20
Delaware	274	7	37
District of Columbia	5,429	74	1
Florida	6,192	249	19
Georgia	6,471	112	23
Hawaii	2,005	76	3
Idaho	922	12	36
Illinois	22,145	507	9
Indiana	1,968	69	34
Iowa	1,493	50	18
Kansas	1,469	30	35
Kentucky	317	10	47
Louisiana	890	38	39
Maine	291	16	31
Maryland	2,819	19	45

4

Total Queries As of December 31, 1998		Ranking By Per Capita Use
	Avg. Queries per Month, 1998	
Massachusetts	6,922	260	10
Michigan	4,492	131	30
Minnesota	1,063	66	28
Mississippi	662	33	33
Missouri	5,795	233	8
Montana	85	2	46
Nebraska	123	2	49
Nevada	1,155	32	17
New Hampshire	258	0	51
New Jersey	5,704	99	32
New Mexico	2,589	111	2
New York	17,729	475	15
North Carolina	2,709	38	42
North Dakota	199	5	40
Ohio	7,206	162	26
Oklahoma	1,658	110	13
Oregon	4,461	200	4
Pennsylvania	21,127	572	7
Puerto Rico	640	53	29
Rhode Island	1,395	40	12
South Carolina	113	4	50
South Dakota	507	31	11
Tennessee	1,377	51	38
Texas	31,141	496	14
Utah	627	9	44
Vermont	246	8	27
Virginia	5,208	98	25
Washington	2,596	83	24
West Virginia	7,008	114	5
Wisconsin	1,092	39	41
Wyoming	0	0	52
Totals	**229,098**	**6,001**	

Note: Rankings are based on an index calculated by dividing average monthly queries by the state's 1995 population.

What's Ahead For Gateway

FinCEN is currently working to improve the manner in which the database is queried to facilitate its use in a proactive manner. This will allow state and local agencies to identify large currency and suspicious transactions and, with additional research and investigation, determine if the funds used in these transactions were derived from illegal activity. In addition, 1999 will see the addition of a new report that will be made available to state and local agencies—the Suspicious Activity Report by Casino.