

# The Bureau of Engraving and Printing

## Mission:

To design and manufacture high quality security documents that meet customer requirements for quality, quantity and performance, including counterfeit deterrence.

## Total Operating Level

(Dollars in Thousands)

Budget Activity	FY 2005	FY 2006	FY 2007		
	Obligated	Estimate	Estimate	Change	% Change
Manufacturing	436,000	445,000	493,000	48,000	9.7%
Protection and Accountability of Assets	56,000	61,000	63,000	2,000	3.2%
<b>Total Cost of Operations</b>	<b>\$492,000</b>	<b>\$506,000</b>	<b>\$556,000</b>	<b>\$50,000</b>	<b>9.0%</b>
<b>Total FTE Usage</b>	<b>2,282</b>	<b>2,300</b>	<b>2,300</b>	<b>0</b>	<b>0%</b>
Capital Investments (Included in Total Cost of Operations above)	\$23,000	\$60,000	\$50,000	(\$10,000)	-20.0%

## Overview

The Bureau of Engraving and Printing (BEP) began printing currency in 1862. The Bureau's top priorities for FY 2006 and 2007 include the introduction of the redesigned \$10 note into circulation and the redesign of the \$100 note. To deter counterfeiters, Treasury redesigned the \$10 note, and continued to use the latest technologies for security printing and processing. The \$10 note follows the successful introductions of the redesigned \$20 and \$50 notes in 2003 and 2004, respectively. BEP will continue its currency redesign efforts. The Department has already begun its redesign of the \$100 note and expects to introduce the redesigned note to the public in 2007. In addition, the Bureau is continuing its work with the Advanced Counterfeit Deterrent Committee to research and develop future currency designs that will enhance and protect future notes.

In FY 2005, BEP:

- Delivered 8.5 billion notes - 300 million less than FY 2004,
- Redesigned the \$10 note, featured on the cover of this report, and

- Reduced the average price of currency due to reduced spoilage and improved productivity.

In addition, BEP was one of a few government entities to receive a favorable opinion on management's assertion on the effectiveness of internal controls over financial reporting.

BEP receives no appropriated funds from Congress. Operations are financed by means of a revolving fund established in 1950. This fund is reimbursed through product sales for direct and indirect costs of operations including administrative expenses. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products.

In FY 2007, BEP expects to produce and deliver 9 billion notes to the Federal Reserve System and redesign the \$100 note, as part of the current multi-year currency redesign initiative. Through this historic effort, BEP is able to embed state-of-the-art anti-counterfeiting technology, while maintaining the distinctive look of U.S. currency.

Total resources required to support BEP operations in FY 2007 are \$556 million.

## BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	
		Actual	Actual	Actual	Target	Target	
Manufacturing	Manufacturing costs for currency (dollar costs per thousand notes produced) (\$) (E)	29.14	28.06	28.83	✓	28.5	32.5
	Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements (%) (Oe)	99.9	100	99.9	✓	99.9	99.9
Protection and Accountability of Assets	Currency shipment discrepancies per million notes (\$) (Oe)	0	0.01	0	✓	0.01	0.01
	Security costs per 1000 notes delivered (\$) (E)	n/a	5.95	5.75	✓	6.25	6

(E) = Efficiency Measure (Oe) = Outcome Measure (Ot) = Output Measure

## Performance Highlights

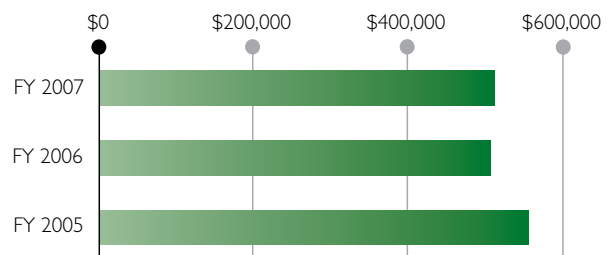
BEP streamlined its operations to produce currency at the lowest possible cost in FY 2005. Two performance measures used to assess production and delivery efficiency are the dollar costs per 1,000 notes produced and security costs per 1,000 notes delivered. The cost per 1,000 notes produced increased to \$28.83 in FY 2005 from \$28.06 in FY 2004 but still was under the target by \$2.17. Security performance in 2005 was favorable. The security costs per 1,000 notes delivered decreased three percent to \$5.75 in FY 2005 from \$5.95 in FY 2004. In addition, no shipment discrepancies were reported. Discrepancies are prevented by a series of automated quality and accountability checks performed throughout the production process as well as by final verification prior to shipment to the customer.

BEP's automated equipment consistently produces high quality, counterfeit-deterrent currency. As a result, more than 99.99 percent of all notes delivered to the Federal Reserve met or exceeded their exacting quality standards.

Through monthly reporting and analysis of production and cost performance data, program managers receive timely and effective feedback that they use to continually adjust and fine-tune production processes to achieve continuous improvement.

## BEP Revenue

(Dollars in Thousands)



## Program Description

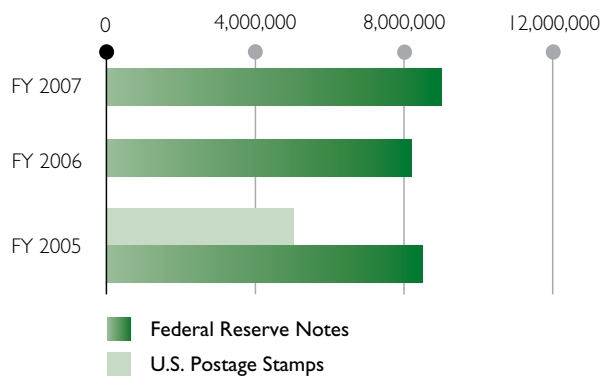
**Manufacturing (\$493,000,000/1800 FTE)** BEP utilizes the latest technologies for security printing and processing, including automated inspection equipment used in the production of the nation's currency. The manufacturing of state-of-the-art currency deters counterfeiting, contributes to public confidence and facilitates daily commerce. The Bureau's production equipment is operated by highly skilled craft personnel that have developed their unique skills through multi-year apprenticeship programs.

**Security and Accountability of Assets (\$63,000,000/500 FTE)** BEP's ability to provide effective and efficient product security and accountability during the manufacture and delivery of currency notes to the Federal Reserve preserves the integrity of the nation's

currency. The Bureau’s annual financial statement audit represents an assessment by an independent, certified public accounting firm of the integrity of the Bureau’s revolving fund and the reliability of the financial data used for managerial decision making. Successful financial reporting at the Bureau is a joint effort that requires coordination between BEP financial management, operations, and information technology personnel, as well as close coordination with the independent, certified public accounting firm contracted to perform the annual audit and the Office of Inspector General, which oversees their work. In addition, the primary mission of the Bureau’s Office of Security is to preserve the integrity of and safeguard critical Bureau resources and assets such as personnel, products, plant facilities and equipment.

### BEP Total Production of Notes

(in Thousands)



### Capital Investments Summary

**Capital (\$50,000,000)** The Bureau of Engraving and Printing’s capital projects are focused on improving processes, developing new counterfeit deterrent design capabilities and expanding information handling. These investments are planned to reduce costs, shorten the overall time from product concept to production and achieve greater flexibility to respond to customer demands.

