

Bureau of Engraving & Printing

Performance Plans for FY2002 and FY2003

Actual Performance Figures are in **bold**, Final Targets are in plain text, and Proposed Targets are *italicized*.

Targets which were not met are shown in red.

Mission: The Bureau of Engraving and Printing's mission is to securely and efficiently produce United States currency, postage stamps, and other government securities that satisfy the current and future needs of the American public and government agencies which serve them.

Budget Activity: Manufacturing

Function: The Bureau is the sole source of United States currency, various public debt instruments, and a major source of postage stamps and other security documents issued by the Government. Manufacturing includes operations directly related to the design, engraving, printing, processing, and delivery of security products primarily, U.S. currency and stamps. It also includes the following support services: engineering, quality, procurement, inventory management, and research.

Performance Goal:

Meet customer's delivery requirements cost effectively.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Change in productivity from prior year	15.9%	-15.6%	-16.6%	-10%	0%
		View Explanation	View Explanation		
<hr/>					
View Definition and Validation					
Manufacturing costs for currency	\$25.87	\$22.65	\$23.88	\$25	\$27.5
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View Definition and Validation					
Manufacturing costs for stamps	\$1.31	\$1.46	\$1.31	\$1.56	
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View Definition and Validation Percent of Federal Reserve orders met as requested	100%	100%	100%	100%	<i>100%</i>
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View Definition and Validation Percent of United States Postal Service orders met as requested	100%	100%	100%	100%	<i>100%</i>
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View Definition and Validation Number of notes returned by Federal Reserve due to manufacturing defects per million notes produced	0.0219	1,956 View Explanation	0.009	0.025	<i>0.025</i>
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View Definition and Validation Number of stamps returned by United States Postal Service due to manufacturing defects per million stamps delivered	0.03365 View Explanation	0.7153 View Explanation	0.0005	0.1	
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Performance Goal:

Produce consistently high quality counterfeit deterrent notes.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Number of notes returned by Federal Reserve because of counterfeit deterrent defects per million notes delivered	0.0453	4,619	0.029	0.05	
	View Explanation	View Explanation			

View Definition and Validation

Maintain/Upgrade ISO
Certification

Met

Met

Budget Activity: Protection and Accountability of Assests**Function:** Includes both physical plant security and personnel security, product accountability and asset control.

Performance Goal:

Maintain an accurate and cost-effective system of accountability for Bureau products, which will ensure that products are accounted for during production and that customers receive the correct quantities of product.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation Currency shipment discrepancies per million notes	0.0092	0.0012	0	0.01	<i>0.01</i>

View Definition and Validation Postage stamp shipment discrepancies per million stamps	14	8	5.81	20
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Budget Activity: Resource Management**Function:** Includes administrative services provided by the Office of the Director, the Chief Financial Officer, and the Associate Director (Management).

Performance Goal:

Continue to provide reliable and timely financial information for executives and program managers.

<u>Performance Measure(s):</u>	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
View Definition and Validation					
Annual Financial	Met	Met	Met	Met	<i>Met</i>
Statement Audit Opinion					

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Performance Measure

Change in productivity from prior year

Definition and Validation

Definition: A measure of manufacturing efficiency. This is measured by using Bureau of Labor Statistics (BLS) methodology to calculate the increase or decrease in productivity from one year to the next. Productivity measures operational output whereby the number of units produced per work year is compared to the previous year.

Validation and Verification: Production output data is collected through BEP's product accountability system. Work year data is collected from payroll reports generated by BEP's payroll service, Department of Agriculture's National Finance Center. Productivity measures are also reported in BEP's CFO Annual Report, and the reported results are reviewed by the independent public accounting firm that audits the financial statements.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Manufacturing costs for currency

Definition and Validation

Definition: An indicator of currency manufacturing efficiency and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance comparison against the standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Validation and Verification: Cost data is collected through BEP's accrual-based cost accounting system, which is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Manufacturing costs for stamps

Definition and Validation

Definition: An indicator of postage stamp manufacturing efficiency and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance compared against standard depends on BEP's ability to meet annual spoilage, efficiency and capacity utilization goals established for this product line. BEP reports on the 100 stamp flag coil product line because it is the major stamp product produced by the Bureau.

Validation and Verification: Cost data is collected through BEP's accrual-based cost accounting system, which is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Percent of Federal Reserve orders met as requested

Definition and Validation

Definition: A measure of BEP's ability to meet customer order delivery scheduled. The customer considers this measure satisfied when complete shipments of finished currency are received in the Federal Reserve vault where it is held prior to final distribution to Federal Reserve district banks.

Validation and Verification: Product delivery data is collected through BEP's product accountability system reconciled to invoices generated by BEP and confirmed by customers.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Percent of United States Postal Service orders met as requested

Definition and Validation

Definition: A measure of BEP's ability to meet customer order delivery schedules. The customer considers this measure satisfied if all postage product lines (i.e. Coils, books, sheets) are shipped by BEP in accordance with shipping/ordering instructions received by BEP directly from Post Masters.

Validation and Verification: Product delivery data is collected through BEP's product accountability system, and reconciled to invoices generated by BEP and confirmed by customers.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Number of notes returned by Federal Reserve due to manufacturing defects per million notes produced

Definition and Validation

Definition: A qualitative indicator reflecting the Bureau's ability to provide quality products to our customer. The measure refers to any manufacturing flaw which the Federal Reserve determines renders the note unsuitable for circulation.

Validation and Verification: Defective product data is reported by the customer on a monthly basis.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Number of stamps returned by United States Postal Service due to manufacturing defects per million stamps delivered

Definition and Validation

Definition: A qualitative indicator reflecting the Bureau's ability to provide quality products to our customer. The measure refers to any manufacturing flaw that the Postal Service determines to be unacceptable.

Validation and Verification: Defective product data is reported by the customer on a monthly basis.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Number of notes returned by Federal Reserve because of counterfeit deterrent defects per million notes delivered

Definition and Validation

Definition: A qualitative indicator reflecting BEP's ability to provide effective counterfeit deterrent products. This measure focuses on manufacturing flaws related to counterfeit deterrent features of new design currency. Counterfeit deterrent defects are of the following types: 1. Defects of covert features (machine readable) which prevent authentication by commercial automated cash handling equipment. 2. Defects of overt features (visible to the human eye) that may result in the imperfect genuine U.S. currency note being viewed as counterfeit.

Verification and Validation: The Federal Reserve uses state-of-the-art currency verification equipment to authenticate all new currency shipped to Federal Reserve Banks for counterfeit deterrent defects. The Federal Reserve provides feedback data to BEP as defects are detected.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Maintain/Upgrade ISO Certification

Definition and Validation

ISO Certification signifies that the certified organization follows a rigorous quality control program under stringent international standards. ISO certification provides current and future Bureau customers assurance that our currency-manufacturing program will deliver high quality security products. Certification is achieved based on a successful compliance audit by an independent firm under the auspices of the International Organization for Standardization.

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Performance Measure

Currency shipment discrepancies per million notes

Definition and Validation

Definition: A qualitative indicator reflecting BEP's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks.

Verification and Validation: BEP reports product discrepancy data based on monthly information provided by the customer.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Postage stamp shipment discrepancies per million stamps

Definition and Validation

Definition: A qualitative indicator reflecting BEP's ability to provide effective product security and accountability. Because stamp products are packaged and sold to the Postal Service in varying subject sizes (eg. 100 stamps per coil, 20 stamps per sheetlet, etc.) a discrepancy of one stamp coil could translate to a reportable discrepancy of 100 stamps (a 100 stamp coil equals 100 individual stamps).

Verification and Validation: BEP reports product discrepancy data based on feedback provided by the customer.

Data Accuracy: Reasonable Accuracy.

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Performance Measure

Annual Financial Statement Audit Opinion

Definition and Validation

Definition: This measure represents an assessment by an independent, certified public accounting firm of the integrity of the Bureau's revolving fund and the reliability of financial data used for managerial decision-making.

Verification and Validation: BEP's annual financial statement audit is performed by an independent certified public accounting firm. Treasury's Office of Inspector General provides a co-Contracting Officer's Technical Representative for technical oversight and to conduct a quality review of the external auditor's working papers.

Data Accuracy: Reasonable Accuracy.

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Performance Measure: Change in productivity from prior year

Explanation:FY2001

Productivity is calculated using Bureau of Labor Statistics methodology. In FY 2001, BEP's overall productivity decreased by 16.6 percent. The decrease in productivity was primarily due to an unplanned reduction in the currency order by the Federal Reserve Bank during the fiscal year. During FY 2001, BEP's staffing levels (apprenticeship and training programs) continued to focus on projected, long-term demand and demand trends, not fluctuations in year-to-year orders. In 2002, continued investment in automated currency inspection equipment and a stable currency order from the customer should enable the Bureau to meet its productivity target.

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Performance Measure: Change in productivity from prior year

Explanation:FY2000

Due to the reduction in the postage stamp order and a rebalancing of staff and resources in the currency program following the record production year in FY 1999, overall productivity declined by about as much as it increased in FY 1999.

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Performance Measure: Number of notes returned by Federal Reserve due to manufacturing defects per million notes produced

Explanation:FY2000

In 2000, the Bureau commenced production of the redesigned \$5 and \$10 Federal Reserve Notes. In the initial production of the \$10 note, one of the inks with counterfeit deterrent characteristics became contaminated during printing. Although these notes passed visual inspection, most of the notes were rejected by electronic currency authentication equipment at the Federal Reserve.

To prevent recurrences of this problem, the Bureau is testing a statistical sample from all production using the same processing equipment as the Federal Reserve, and inspection equipment at the press has been upgraded.

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Performance Measure: Number of stamps returned by United States Postal Service due to manufacturing defects per million stamps delivered

Explanation:FY2000

The performance measure, stamps returned by the USPS because of manufacturing defect, was not met because of a defect in one 10,000 stamp coil. Since stamp manufacturing defects are measured on an individual stamp basis, the defective 10,000 coil is included in the defect statistic as 10,000 defects. This had a disproportionate impact on FY 2000 defect results for the stamp program. Excluding this one coil, from the statistics, would reduce the defect rate to .0487, below standard.

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Performance Measure: Number of notes returned by Federal Reserve because of counterfeit deterrent defects per million notes delivered

Explanation:FY2000

In 2000, the Bureau commenced production of the redesigned \$5 and \$10 Federal Reserve Notes. In the initial production of the \$10 note, one of the inks with counterfeit deterrent characteristics became contaminated during printing. Although these notes passed visual inspection, most of the notes were rejected by electronic currency authentication equipment at the Federal Reserve. To prevent recurrences of this problem, the Bureau is testing a statistical sample from all production using the same processing equipment as the Federal Reserve, and inspection equipment at the press has been upgraded.

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Explanation: FY1999

Performance Measure: Number of stamps returned by United States Postal Service due to

manufacturing defects per million stamps delivered

Performance measure not met because of a defect in two 3,000 stamp coils. Since stamp manufacturing defects are measured on an individual stamp basis, the defective 3,000 stamp coils are included in the defect statistic as 6,000 defects.

This had a disproportionate impact on FY 1999 defect results for the stamp program, in so far as, the 3,000 stamp coil product comprised less than 9% deliveries to the Postal Service for the year.

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Explanation: FY1999

Performance Measure: Number of notes returned by Federal Reserve because of counterfeit

deterrent defects per million notes delivered

Performance measure not met because of a program change requested by the Federal Reserve. The Federal Reserve ordered an additional one billion notes of the new design \$20 notes in place of one billion \$1 notes in the original

production plan. During the first year of full production of the new \$20 note, we expected a slightly higher defect rate for these notes. With an increased proportion of the new design production program dedicated to the new \$20's, the overall defect rate for new design production (\$100's, \$50's and \$20's) was slightly higher than planned.