

Overview

Mission Statement

The mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide.

Program Summary by Budget Activity

Dollars in Thousands

	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	FY10 to FY12 \$ Change	FY10 to FY12 % Change
Manufacturing	\$555,000	\$527,000	\$582,050	\$27,050	4.9%
Protection and Accountability of Assets	\$61,000	\$61,000	\$0	(\$61,000)	(100.0%)
Total Resources	\$616,000	\$588,000	\$582,050	(\$33,950)	(5.5%)
Total FTE	1,889	1,950	1,925	36	1.9%

BEP operations are financed by reimbursements to a revolving fund and as such the BEP is unaffected by a continuing resolution.

The Bureau of Engraving and Printing Protection and Accountability budget activity is being eliminated and consolidated into the Manufacturing budget activity beginning in FY 2012.

FY 2012 Priorities

- Efficiently and effectively produce and deliver the most secure currency for the nation.
- Continued production of the redesigned \$100 note.
- Redesign the nation's currency to better serve the needs of Americans and others around the world, including the blind and visually impaired.
- To research and develop state-of-the-art counterfeit deterrent features that will enhance and protect future generations of currency notes.
- Acquire equipment that will enable the addition of tactile features to U.S. currency.
- Provide hand-held assistive devices to denominate currency (or financial assistance to acquire such devices) to blind and visually impaired citizens.
- Train and prepare BEP's workforce for increasingly sophisticated technology that will be integrated into future manufacturing processes.
- Continue process improvements as required of an ISO 9001 certified organization, a designation that indicates to current and prospective customers that the Bureau employs a rigorous quality management program.
- Reduce the Bureau's environmental impact through targeted investments in more efficient systems and waste reduction. The most significant project will enable waste water recycling, which will reduce water usage by several million gallons per year.

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The mission of the Bureau of Engraving and Printing (BEP) is to develop and produce United States currency notes, trusted worldwide.

The Bureau of Engraving and Printing began printing currency in 1862. The Bureau operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations are financed through a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed for direct and indirect costs of operations, including administrative expenses, through product sales. 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, eliminating the need for appropriations from Congress.

The Bureau's vision is to maintain its position as a world-class securities printer providing its customers and the public superior products through excellence in manufacturing and technological innovation. BEP strives to produce U.S. currency of the highest quality and also designs and produces security documents required by other Federal agencies. Other activities at the Bureau include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with the requirements of customers. In addition, the Bureau provides technical assistance and advice to other Federal agencies in the design and production of documents which, because of their innate value or other characteristics, require counterfeit deterrent features.

During FY 2012, BEP expects to produce and deliver 7.0 billion notes to the Federal Reserve Board to meet currency demand, a decrease of seven percent from the anticipated FY 2011 program.

Over the last ten years, the research and development of new technologies for possible use in currency production has become a priority at the Bureau as more sophisticated counterfeit deterrent features are needed to protect future generations of currency notes. Via its website, www.bep.gov, BEP is currently seeking information on technologies that would enhance the longevity and durability of currency notes in circulation, as well as new technologies or materials that could be developed for future use in counterfeit deterrence. BEP is also interested in products, materials and technologies to address all types of currency usage needs such as authentication and denomination.

The prevalent use of the \$100 note throughout the world will require the production of the new \$100 note to continue at increased levels through 2012. Production of the \$100 note is in support of the transition from old note designs to new designs and to meet demand in the U.S. and abroad. It is estimated that as many as two-thirds of all \$100 notes circulate outside the United States. The redesign of the \$100 note marked the completion of a multi-year initiative to implement the most ambitious currency redesign in United States history.

Another initiative for FY 2012 is to continue efforts to produce tactile features that will enhance future note designs and serve the needs of currency users with visual impairments. A research group from the Bureau visited several foreign bank note printers to gather information on their progress in developing tactile features. Further testing is being conducted to determine which processes and features would work best at the production volumes needed for U.S. currency. While no timetable has been set for the introduction of this currency, the next redesign will incorporate changes to make U.S. currency more accessible to those who are blind and visually impaired.

In addition, because aggressive law enforcement, effective note design, and public education are all essential components in an effective anti-counterfeiting program, the Bureau will continue its work in 2012 with the Advanced Counterfeit Deterrent (ACD) Steering Committee to research and develop future currency designs that will enhance and protect U.S. currency notes. The ACD Committee includes representatives from BEP, the Department of the Treasury, the U.S. Secret Service, and the Federal Reserve Board.

Manufacturing – The Bureau of Engraving and Printing manufactures high quality security documents that deter counterfeiting while supporting commerce through safe and secure currency. These products are grouped into two programs: Federal Reserve notes, and other security documents. Over 98 percent of Bureau revenues are derived from the sale of Federal Reserve notes.

1B – Program History and Future Outlook

Redesigned Federal Reserve Notes: The Bureau of Engraving and Printing has a long-term commitment to develop state-of-the-art counterfeit deterrent features for use in future currency notes through new innovative technologies. The U.S. Government expects to redesign United States currency every seven to ten years in an effort to stay ahead of counterfeiters as advances in technology make counterfeiting of currency less difficult. The ACD Committee continually researches counterfeit deterrent features and systems for possible use in future currency designs to enhance and protect notes from counterfeiting. The United States government continues to enhance the security of U.S. currency in an effort to build public confidence and enable commerce by providing the public with safe secure notes and the information needed to authenticate them.

The new design for the \$100 note made its debut on April 21, 2010 during a ceremony at the Department of the Treasury's Cash Room. The innovative security features in the new note are the fruit of more than a decade of research and development to protect U.S. currency from counterfeiting. The unveiling of the \$100 note was the first step in a global public education program implemented by the Department of the Treasury, the Federal Reserve Board and the U.S. Secret Service to educate those who use the \$100 note about its changes before it begins circulating in early 2011.

The redesign of the \$100 note marked the completion of a multi-year initiative to implement the most ambitious currency redesign in United States history. The redesigned notes remain the same size and use the same portraits and historical images, which have been enhanced. U.S.

currency users will continue to recognize the redesigned notes as quintessentially American. The redesign adds complexity to the notes to make counterfeiting more difficult, and also includes an enlarged, high-contrast numeral to help the public, including persons with visual impairments, distinguish the denomination. The new notes feature enhanced, overt counterfeit deterrent features including a “3-D Security Ribbon” with shifting images and a “Bell in the Well” that disappears and reappears when the note is tilted.

Public Education: Effective combat against counterfeiting requires consumer education that urges merchants and consumers to examine the security features on the currency notes they receive. In collaboration with, and paid for by the Federal Reserve Board, BEP administers a broad public education program to support the introduction of new currency designs. Successful public education is crucial to the anti-counterfeiting effort; the current program offers education and training materials to the public to inform them about the latest currency designs and how to authenticate their currency. These materials are available on-line and can be downloaded from <http://www.moneyfactory.gov/newmoney>. The public education program is designed to build an adequate threshold of awareness to support commerce and ensure seamless "business as usual" transitions as new currency designs are introduced to the public.

Overall, counterfeiting of U.S. currency remains at low levels – due primarily to a combination of improvements in the notes’ security features, aggressive law enforcement and public education efforts. An international education program is being conducted for the new \$100 notes following successful programs for the redesigned \$5, \$10, \$20, and \$50 notes. No domestic paid advertising will be used to introduce the new notes, but paid media has been requested in certain foreign markets. The Federal Reserve Board reports that up to two-thirds of the seven billion \$100 notes currently in circulation are outside the U.S. Even though statistics continue to indicate that the amount of counterfeit U.S. currency worldwide is less than 1/100th of one percent of genuine U.S. currency in circulation, the \$100 note is the most widely circulated and most often counterfeited denomination outside the U.S. This international public education program ensures that people all over the world continue to accept, recognize, trust and use the new and enhanced security features of the new U.S. currency.

Quality: BEP will maintain its focus on producing high quality security products in the most cost effective manner possible. It will continue to pursue continuous process improvements as the catalyst for world class quality and improved cost performance through streamlined processes and low spoilage. In addition to quality certification, the BEP attained ISO 14001 certification in 2007 for environmental management systems, institutionalizing the Bureau’s commitment to sound environmental stewardship.

Cost Efficiency and Capital Investment Efforts: The Bureau strives to provide its customers with superior products for the lowest possible price. BEP constantly seeks ways to cut costs without compromising quality. BEP has put workload-based staffing plans in place which have enabled an overall FTE reduction of 10.5 percent over the past three years. In order to continue staffing reductions in selected areas, during 2010 BEP offered targeted employee buyouts as incentives for early retirement and separation from service. Capital investments are being implemented that will enhance productivity and lessen the environmental impact of BEP’s operations on air emissions, wastewater discharge, and solid waste. An investment in a new manufacturing

support system to enable the integration, consolidation, and analysis of data from the systems used in existing and new manufacturing equipment has been initiated. This initiative provides an integrated platform to simplify and standardize the collection of data across disparate systems, sensors and applications that the Bureau uses in manufacturing.

The age of BEP's Washington, DC facility poses some infrastructure challenges. Based on an earlier condition assessment, it was estimated that an investment of \$250-\$500 million would be needed to upgrade the Washington, DC main and annex buildings over the next 10 years. A feasibility study on the condition of the Washington DC facility was completed at the end of July 2010, and is currently under executive review. The outcome will allow BEP and the Department of the Treasury to strategically address facility issues going forward.

During the past several years the Bureau has streamlined its organization and has redeployed employees in overstaffed areas by matching employee competencies with organizational needs and expanding opportunities for cross-training, detail assignments and reassignment. BEP's intent is to optimize human resource utilization, as it reduces staffing levels to reflect decreasing demand for currency notes and the impact of increased productivity from new equipment and improved work practices. These efforts have improved efficiency, reduced response time, and facilitated currency redesign efforts. Although some efficiencies have been gained from the procurement of human resource and acquisition support services from the Bureau of Public Debt's Administrative Resource Center (ARC) for BEP's Fort Worth, Texas manufacturing facility, to date BEP has not realized any cost savings from this initiative. The Bureau will expand the scope of its Inter-Agency Agreement (IAA) with ARC when cost effective or when necessary for mission support.

Developments in image inspection technology have led to the installation of sophisticated inspection systems that BEP uses in its currency manufacturing processes. These systems use a proprietary software package to provide real time inspection of printed work. The Bureau's investment in automated inspection systems has proven to be more cost effective than the system it replaced. It has also afforded BEP some flexibility in redeploying resources to other areas while enhancing its capability of delivering a high quality product.

BEP's success would not be possible without the contributions of its people. The Bureau remains strongly committed to the development of its workforce through an array of career development programs tailored to the demand and skill requirements of a high-technology workplace. In FY 2012, BEP plans to focus on talent management that will enhance the effectiveness of recruitment and retention programs. BEP will also promote a continuous learning environment to develop employees and leaders at all organizational levels and foster a high level of individual and collective competence. BEP will also continue to foster labor-management coalitions to maintain a cooperative relationship between management and the Bureau's 15 unions (representing 19 bargaining units) in order to support a dynamic and progressive workplace for employees. Strategic investments in people and technology will continue to be critical in maintaining the Bureau's status as a world-class securities manufacturer.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Bureau of Engraving and Printing	FTE	Amount
FY 2010 Actual	1,889	\$616,000
FY 2011 Estimated	1,950	\$588,000
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$4,850
Maintain Current Levels	-	\$4,850
Efficiencies, Savings & Base Reductions:	(25)	(\$11,800)
Energy Savings	-	(\$2,200)
IT Process Streamlining	-	(\$200)
Improved Business Practices	(15)	(\$5,000)
Replace Mainframe	-	(\$2,400)
Spoilage Reduction Savings	-	(\$1,000)
Visual Inspection Systems	(10)	(\$1,000)
Subtotal FY 2012 Changes to Base	(25)	(\$6,950)
Total FY 2012 Base	1,925	\$581,050
Program Changes:		
Program Increases:	-	\$1,000
R&D Equipment - Tactile Features	-	\$1,000
Subtotal FY 2012 Program Changes	-	\$1,000
Total FY 2012 Estimated	1,925	\$582,050

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$4,850,000 / +0 FTE

Maintain Current Levels +\$4,850,000 / +0 FTE

Funds are required for inflation adjustments in non-labor expenses such as rent adjustments, postage, raw materials and inventories, supplies and equipment, health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

Efficiencies, Savings & Base Reductions -\$11,800,000 / -25 FTE

Energy Savings -\$2,200,000 / +0 FTE

Energy Savings - improvements in energy efficiency through replacement and/or upgrade of older assets with more energy efficient and environmentally responsible assets.

IT Process Streamlining -\$200,000 / +0 FTE

Savings from data center efficiency and consolidation, increased server virtualization, and decreased energy usage and IT operation costs.

Improved Business Practices -\$5,000,000 / -15 FTE

Improved Business Practices - Current manual administrative processes will be eliminated with the completion of BEP's Manufacturing Support Suite. Reductions of 25 FTE will be achieved through proposed buy-outs and attrition.

Replace Mainframe -\$2,400,000 / +0 FTE

Replace BEP Mainframe computer with offsite Oracle On-Demand Computer Hosting Service - Switching from BEP's mainframe computer to Oracle On-Demand hosting service will result in operation and maintenance cost savings.

Spoilage Reduction Savings -\$1,000,000 / +0 FTE

Spoilage Reduction Savings - reduced material spoilage during currency note production process should enable reduced purchases of currency paper and other materials used in manufacturing currency notes.

Visual Inspection Systems -\$1,000,000 / -10 FTE

Productivity Improvements from new Visual Currency Inspection Systems - Completed installation of new Visual Currency Inspection System to improve inspection quality and automate work currently performed by FTEs, resulting in personnel cost savings.

Program Increases +\$1,000,000 / +0 FTE

R&D Equipment - Tactile Features +\$1,000,000 / +0 FTE

Represents the purchase of lab equipment for research and development, needed to develop and test new tactile feature for the visually impaired in future currency redesigns.

2.2 – Operating Levels Table

Dollars in Thousands

Bureau of Engraving and Printing	FY 2010 Obligated	FY 2011 Estimated	FY 2012 Estimated
FTE	1,889	1,950	1,925
Object Classification			
11.1 - Full-time permanent	\$152,000	\$172,000	\$179,000
11.3 - Other than full-time permanent	\$5,000	\$5,000	\$0
11.5 - Other personnel compensation	\$2,000	\$2,000	\$800
11.6 - Overtime	\$28,000	\$8,000	\$11,000
12 - Personnel benefits	\$49,000	\$50,000	\$50,000
21 - Travel and transportation of persons	\$2,000	\$2,000	\$2,000
22 - Transportation of things	\$300	\$250	\$250
23.1 - Rental payments to GSA	\$2,000	\$2,000	\$2,000
23.2 - Rental payments to others	\$1,000	\$1,000	\$1,000
23.3 - Communication, utilities, and misc charges	\$13,000	\$15,000	\$14,000
24 - Printing and reproduction	\$1,000	\$1,000	\$750
25.1 - Advisory and assistance services	\$4,000	\$4,000	\$4,000
25.2 - Other services	\$66,000	\$45,000	\$45,000
25.4 - Operation and maintenance of facilities	\$10,000	\$10,000	\$10,000
25.5 - Research and development contracts	\$4,700	\$4,000	\$3,500
25.7 - Operation and maintenance of equip	\$9,800	\$9,000	\$9,500
26 - Supplies and materials	\$182,000	\$192,500	\$189,000
31 - Equipment	\$84,000	\$65,000	\$60,000
42 - Insurance claims and indemnities	\$200	\$250	\$250
Total Budget Authority	\$616,000	\$588,000	\$582,050
Budget Activities			
Manufacturing	\$555,000	\$527,000	\$582,050
Protection and Accountability of Assets	\$61,000	\$61,000	\$0
Total Budget Authority	\$616,000	\$588,000	\$582,050

2.3 – Resource Detail Table

Dollars in Thousands

Description	FY 2009		FY 2010		FY 2011		FY 2012		% Change	
	FTE	Actual AMOUNT	FTE	Actual AMOUNT	FTE	Estimated AMOUNT	FTE	Estimated AMOUNT	FTE	FY 2011 to FY 2012 AMOUNT
Budgetary Resources:										
Revenue/Offsetting Collections:										
Federal Reserve Notes		\$524,000		\$609,000		\$581,000		\$575,050		-1.02%
Other Security Products		7,000		7,000		7,000		7,000		0.00%
Total Revenue/Offsetting Collections		\$531,000		\$616,000		\$588,000		\$582,050		-1.01%
Unobligated balances, Start of year										
Recoveries of prior year obligations		\$0		\$0		\$0		\$0		0.00%
Net transfers (includes capital transfers)		\$0		\$0		\$0		\$0		0.00%
Total budgetary resources available		\$0		\$0		\$0		\$0		0.00%
Expenses/Obligations:										
Direct Manufacturing										
Paper and Ink		\$163,000		\$182,000		\$192,500		\$181,000		-5.97%
Direct Labor	750	90,000	725	94,500	725	94,500	725	94,050	0.00%	-0.48%
Other Direct Mfg Costs		7,000		7,500		7,500		7,500		0.00%
Subtotal Direct Manufacturing Costs		260,000		284,000		294,500		282,550		-4.06%
Indirect Manufacturing Support	1,194	271,000	1,164	332,000	1,225	293,500	1,200	299,500	-2.04%	2.04%
Total Manufacturing Activity Costs		531,000		616,000		588,000		582,050		-1.01%
Total Expenses/Obligations	1,944	\$531,000	1,889	\$616,000	1,950	\$588,000	1,925	\$582,050	-1.28%	-1.01%
Net Results		\$0		\$0		\$0		\$0		0.00%
Federal Reserve Notes Manufactured (in Billions)										
		6.8		6.4		7.5		7.0		
Capital Investments		\$57,000		\$84,000		\$65,000		\$60,000		

2B – Appropriations Language and Explanation of Changes

The Bureau of Engraving and Printing receives no appropriated funds from Congress.

2C – Legislative Proposals

BEP requests legislation to repeal that portion of 31 USC Sec. 5114(c), which limits a contract term for the manufacture of distinctive currency paper to four years. Proposed Amendment: Section 5114(c) of Title 31, United States Code (relating to engraving and printing currency and security documents), is amended by striking "for a period of not more than 4 years". By repealing this limit, the contract term for the manufacture of distinctive currency paper will match all other federal contracts which allow five years. This proposal may open up the supply of U.S. currency paper to competition by ending the four year contract limitation. Potential suppliers consider four years too short of a payback period for production of this unique product, which GAO identified as a barrier to competition.

To prevent money laundering, BEP requests legislation to require, in the current fiscal year and hereafter, any person who forwards to the Bureau of Engraving and Printing (BEP) a mutilated paper currency claim equal to or exceeding \$10,000 for redemption shall be required to provide BEP their taxpayer identifying number.

Section 3 – Budget and Performance Plan

This table lists all FY 2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treasury.gov/about/budget-performance/strategic-plan/Pages/index.aspx>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	% Change FY10 to FY12
Commerce enabled through safe, secure U.S. notes and coins	616,000	588,000	582,050	-1.01%
Total	\$616,000	\$588,000	\$582,050	-1.01%

3A - Manufacturing (\$582,050,000 from reimbursable programs): BEP manufactures high quality Federal Reserve notes and security documents that deter counterfeiting. The Bureau's manufacturing activity supports Treasury's strategic objective "Trust and confidence in U.S. currency worldwide".

BEP uses the latest technologies for security printing and processing, including automated inspection equipment used in the production of the nation's currency. The Bureau's production equipment is operated by highly skilled craft personnel who have developed unique skills through multi-year apprenticeship programs.

The manufacturing of state-of-the-art currency deters counterfeiting, contributes to public confidence, and facilitates daily commerce ensuring seamless "business as usual" transitions as new currency designs are introduced to the public.

In FY 2010, the Bureau delivered 6.4 billion Federal Reserve Notes to the Federal Reserve Board. The estimated Federal Reserve Board's order for FY 2011 and FY 2012 is 7.5 and 7.0 billion notes, respectively.

3.2.1 Manufacturing Budget and Performance Plan

Manufacturing Budget Activity					
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Actual	Actual	Actual	Estimated	Estimated
Appropriated Resources	\$0	\$0	\$0	\$0	\$0
Reimbursable Resources	\$476,700	\$469,000	\$555,000	\$527,000	\$582,050
Total Resources	\$476,700	\$469,000	\$555,000	\$527,000	\$582,050

Budget Activity Total	\$476,700	\$469,000	\$555,000	\$527,000	\$582,050
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Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Actual	Actual	Actual	Target	Target
Manufacturing Costs For Currency (Dollar Costs Per Thousand Notes Produced) (\$) (E)	29.47	32.77	44.85	48.0	48.0
Percent of Currency Notes Delivered to the Federal Reserve that Meet Customer Quality and Requirements (%) (Oe)	100.0	99.9	97.5	99.9	99.9

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

Description of Performance

Manufacturing Costs for Currency (dollar cost per 1,000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. This measure is based on contracted price factors, and anticipated productivity improvements, as well as the mix of denominations ordered year to year. As more sophisticated counterfeit deterrent design features are produced, paper and ink costs increase, resulting in increased total manufacturing costs. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals. This measure has performed at or better than its annual targets for the past seven years.

Percent of currency notes delivered to the Federal Reserve that meet customer quality and requirements is a qualitative indicator reflecting the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections. These inspections ensure that all counterfeit deterrent features, both overt and covert, are functioning as designed.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

3B - Protection and Accountability of Assets (No funding): The Department of the Treasury proposes to eliminate the Protection and Accountability budget activity, and consolidate it into the Manufacturing budget activity beginning in FY 2012. During the past eight years since the Protection and Accountability of Assets budget activity was created, the Department has determined that it fails to serve a meaningful purpose on a standalone basis and unnecessarily complicates budgetary and other financial reporting.

3.2.2 Protection and Accountability of Assets Budget and Performance Plan

Protection and Accountability of Assets Budget Activity

Resource Level	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated
Appropriated Resources	\$0	\$0	\$0	\$0	\$0
Reimbursable Resources	\$61,500	\$62,000	\$61,000	\$61,000	\$0
Total Resources	\$61,500	\$62,000	\$61,000	\$61,000	\$0

Budget Activity Total	\$61,500	\$62,000	\$61,000	\$61,000	\$0
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Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Currency Shipment Discrepancies Per Million Notes (%) (Ot)	0.01	0.0	0.0	0.01	0.01

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

Description of Performance

Currency Shipment Discrepancies is an indicator of the Bureau'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. This target is very difficult to achieve, given the number of currency notes produced and the speed at which the notes are processed. However, BEP continually strives to meet its long term goal of zero percent, and has been able to do so several times. For several years, this measure has had an annual target of .01 percent. The Bureau has been able to meet or exceed this target on a regular basis.

The measure security cost per 1000 notes delivered reflects the cost of providing product security. The measure is kept at the lowest level possible without compromising the security posture of the Bureau. BEP strives to reduce the target on an annual basis through a combination of competitive sourcing initiatives, leveraging of the best practices of other federal law enforcement agencies, targeted system investments, and improvements in facility design that incorporate security attributes. This measure is discontinued in FY 2010 because over time, the Department of the Treasury has found it to be of limited usefulness.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

Section 4 – Supporting Materials

4A – Human Capital Strategy Description

Regardless of mission, size or nature of business, all organizations must have three important ingredients to perform successfully: a viable and progressive operating plan; an accompanying organizational infrastructure to support the plan; and most important, the human capital to make it happen. The BEP's Office of Human Resources (OHR) is the hub of the Bureau's human capital program. OHR develops, administers and implements programs that support employee work life. Its role is integral to the Bureau's ability to meet its mission. Consequently, human capital planning and strategic investments in employee development represent an important link in the Bureau's, Department of the Treasury's and federal government's strategic business plan.

The BEP's Human Capital Strategic Plan provides a window into the future by mapping how OHR will create an environment that supports, nurtures, and sustains a high caliber workforce that will be up to any challenge. That is why the theme for the Bureau's plan is appropriately titled, "Turning Ideas into Action: A Blueprint for the Future."

The FY 2012 human capital strategy includes:

- Talent Management - Enhance the effectiveness of recruitment and retention programs to ensure the Bureau continues to meet its critical mission requirements and establishes itself as an employer of choice. It is a Bureau goal to move BEP into the top 50 percent of Best Places to Work in Government by the end of FY 2014.
- Workforce Planning and Deployment - Establish an infrastructure that ensures a ready, deployable and adaptable talent reservoir to meet the Bureau's current and future challenges and ensures continuity of function.
- Continuous Learning Environment - Develop employees and leaders at all organizational levels to foster a high level of individual and collective competence.
- Results-Oriented Performance Culture - Implement a goal-based performance management system Bureau-wide that links individual and organizational results to the Bureau's performance goals, and which is supported by a dynamic, continuous learning environment.
- Human Capital Business solutions - Develop and implement effective human capital processes, tools and technologies that will provide the highest quality programs, operational support and service delivery to customers.
- Labor-Management Coalitions - Maintain a cooperative relationship between management and the 15 Unions representing 19 bargaining units to support a dynamic and progressive workplace for employees to realize high levels of performance achievement and job satisfaction

BEP's workforce is aging. The average age of BEP staff in FY 2010 is 50.32 years of age. Within 10 years, 59 percent of the bureau's workforce will be eligible to retire. In addition, in 2010 a total of 70 employees, or 3.6 percent of BEP's total workforce is eligible for regular and early out retirement. Between 2011 and 2014, an additional 294 employees will be eligible for regular retirement. These figures do not include normal attrition rates as a result of resignations and terminations.

BEP staff levels have continued to decline through a less than average attrition rate but it is anticipated that BEP's attrition rate will increase. During the period October 2009 to March 2010, BEP witnessed a loss of 78 employees which represented a 3.9 percent reduction of staff for that period. BEP achieved this high percentage of reduction as the result of a targeted early retirement and voluntary separation incentive program.

BEP faces deficiencies in some human capital areas. It is particularly difficult to attract and retain qualified senior contract specialists, and to find printing and production specialists with new technology skills. On the other hand, BEP anticipates that some positions may have staffing surpluses in the future.

BEP is planning for the loss of staff in mission critical occupations, frontline leadership, and Senior Executive Service (SES) positions. Departures of individuals in these positions could leave BEP vulnerable to key knowledge gaps. While 18 percent of BEP's current staff is eligible for retirement by FY 2014, apprenticeship and trainee programs and on the job training are in place and will help to close this potential skills gap. Furthermore, services such as information technology, contracting, and human resources are provided by a mix of in-house and outsourced staff to provide for future flexibility.

Hiring Reform – BEP is working to improve communication with applicants to each vacancy announcement by issuing timely letters of receipt, status, and results. OHR assigns staffing specialists (a primary and a backup) to service the needs of each BEP division. This has resulted in improved OHR working relationships with hiring managers. OHR holds monthly meetings to discuss government-wide and agency specific hiring initiatives, current and upcoming hiring strategies and feedback OHR receives on the hiring process.

Veterans' Employment – BEP participates in targeted Veterans' hiring initiatives such as the Department of the Treasury Veterans Employment Summit. All job vacancy announcements include a link to OPM's Veterans Employment website. Additionally, BEP is continuing outreach efforts through programs such as Wounded Warriors.

Hiring of Individuals with Disabilities – BEP's Office of Equal Opportunity & Diversity Management works with OHR to promote, identify and facilitate the hiring of individuals with disabilities. BEP has effectively used direct hiring authority to streamline the appointment of individuals with disabilities. OHR actively communicates with BEP hiring managers about this program's usefulness when there is a need to quickly fill vacant positions.

Labor-Management Forums – BEP will establish Labor-Management Forums in accordance with Executive Order 13522 "Creating Labor-Management Forums to Improve Delivery of

Government Services”. This should provide a vehicle to help BEP improve low-scoring areas in BEP’s FY 2010 Employee Viewpoint Survey such as leadership and communication. BEP has also sent nine union leaders and eight management representatives to joint training held by the Federal Labor Relations Authority and Federal Mediation and Conciliation Service on implementation of Executive Order 13522.

Employee Engagement – During 2010 the Director of BEP began holding regularly scheduled “lunch time chats” open to all BEP employees in order to provide greater opportunities for employees to engage with management. BEP management has also revised its telework policy to encourage increased telework by BEP employees.

Women and Minorities – BEP strives to increase representation by women and minorities in higher level positions. The Bureau has developed a succession plan to address gaps in leadership skills and competencies. BEP reaches out to colleges, universities, communities, and organizations using recruitment strategies intended to attract a more diverse pool of potential job applicants.

Federal Employee Viewpoint Survey – During 2010, BEP hired an independent contractor to conduct employee focus groups to collect further information on areas of employee concern identified through the 2010 Employee Viewpoint Survey. BEP management held town hall meetings to discuss the focus group findings and established priorities for follow up action. BEP is currently working on an updated action plan in response to the 2010 Employee Viewpoint Survey results.

Wellness – BEP offers a variety of health, wellness, and fitness programs to its employees. During FY 2011, BEP plans to establish a baseline measurement of employee participation in these programs. Based on the results, BEP plans to develop a comprehensive written Wellness program with targeted bureau-wide goals, including the establishment of employee participation incentives and a target rate of 75 percent employee participation. This program will be designed to be consistent with the “four pillars” of OPM’s “Healthier Feds” Initiative, and will be split into four general categories: Physical activity, prevention, healthy choices, and nutrition.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Information Technology Investments		2010		FY 2011		FY 2012	
Major IT Investments/Funding Source	Budget Activity	Obligated	% Change from FY09 to FY10	Estimated	% Change from FY10 to FY11	Estimated	% Change from FY11 to FY12
Manufacturing Support Suite	Manufacturing	\$18,000	100.00%	\$1,100	-93.89%	\$1,100	0.00%
Subtotal, Major IT Investments		\$18,000	100.00%	\$1,100	-93.89%	\$1,100	0.00%
Non-Major IT Investments Technology¹							
Manufacturing Support Systems	Manufacturing	\$1,710	6.88%	\$1,800	5.26%	\$380	-78.89%
Public Sales System	Manufacturing	\$0	-100.00%	\$0	0.00%	\$0	0.00%
WebTA	Manufacturing	\$20	-75.00%	\$100	400.00%	\$120	20.00%
Subtotal, Non-Major IT Investments		\$1,730	-37.77%	\$1,900	9.83%	\$500	-73.68%
Infrastructure Investments							
BEP Mainframe & Serv. Services (for Consolidation)	Manufacturing	\$21,800	263.33%	\$22,300	2.29%	\$17,200	-22.87%
BEP End User Sys. & Serv. (for Consolidation)	Manufacturing	\$7,836	20.55%	\$7,850	0.18%	\$8,100	3.18%
BEP Telecommunications (for Consolidation)	Manufacturing	\$1,090	62.69%	\$1,310	20.18%	\$1,340	2.29%
Subtotal, Infrastructure Investments		\$30,726	133.30%	\$31,460	2.39%	\$26,640	-15.32%
Enterprise Architecture	N/A	\$0	0.00%	\$0	0.00%	\$0	0.00%
Subtotal, Enterprise Architecture Investments		\$0	0.00%	\$0	0.00%	\$0	0.00%
IT Investments		\$50,456	216.34%	\$34,460	-31.70%	\$28,240	-18.05%

Note¹: In FY 2005 and prior years, costs for these systems were included in BEP's Infrastructure and Office Automation programs.

Note²: Infrastructure funding is consolidated into the Treasury Departmental Integrated IT Infrastructure Exhibit 300.

4B – Information Technology Strategy

BEP's information technology (IT) and IT-embedded investments (i.e. sophisticated manufacturing and inspection equipment) are fully aligned with the Department of the Treasury's and BEP's Strategic Plans and goals to support the technical development and manufacturing of Federal Reserve notes. The Bureau implements and complies with statutory and regulatory requirements.

BEP participates as a partner in significant Treasury-wide enterprise level investments such as TNet (a Department-wide network to allow bureaus to leverage shared services), Homeland Security Presidential Directive-12, HRConnect (a Human Resources Line of Business service provider) and the Treasury Learning Management System (TLMS).

BEP's IT portfolio includes the estimated \$18 million cost to implement the Oracle eBusiness integrated manufacturing suite which will run at the Oracle Corporation's "Federal on Demand" Shared Service Center in Austin, Texas. After implementation, BEP anticipates annual operating and maintenance cost savings of \$2.4M compared to continued usage of the current BEP-operated mainframe. Due to this modernization, BEP anticipates productivity improvements of five percent by revising work practices in administrative and support areas for a savings of an additional \$5M annually. This savings estimate was developed as a result of BEP's discussion with other manufacturing entities that implemented the Oracle E-Business Suite, reviewing best practices supported by the software, and completing an initial requirements definition process.