Audit Report

OIG-22-021

FINANCIAL MANAGEMENT

Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2021 and 2020

December 20, 2021

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

OFFICE OF
INSPECTOR GENERAL

December 20, 2021

MEMORANDUM FOR LEONARD R. OLIJAR
BUREAU OF ENGRAVING AND PRINTING

FROM: Ade Bankole /s/
Acting Director, Financial Statement Audits

SUBJECT: Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2021 and 2020

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Bureau of Engraving and Printing (BEP) as of September 30, 2021 and 2020, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements,* and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual.*

In its audit of BEP, KPMG found:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, and contracts tested.

KPMG also issued a management letter dated December 17, 2021, discussing certain matters that were identified during the audit but were not required to be included in the auditors' report. These matters involved general information technology controls, financial reporting, and property plant and equipment. This letter will be transmitted separately.

In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BEP's financial statements or conclusions on the effectiveness of internal control or compliance with laws and regulations.

KPMG is responsible for the attached auditors' report dated December 17, 2021, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-5329, or a member of your staff may contact Shiela Michel, Manager, Financial Statement Audits, at (202) 927-5407.

Attachment

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Financial Statements

Years ended September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Deputy Inspector General, U.S. Department of the Treasury and
The Director of the Bureau of Engraving and Printing, U.S. Department of the Treasury:

Report on the Financial Statements

We have audited the accompanying financial statements of the Bureau of Engraving and Printing (the Bureau), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of operations and cumulative results of operations, and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bureau of Engraving and Printing as of September 30, 2021 and 2020, and its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, we considered the Bureau's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bureau's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 17, 2021

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Balance Sheets

As of September 30, 2021 and 2020

	2021	2020
	(In Thousands)	
ASSETS		
Current assets		
Cash (Note 3)	$ 110,048	$ 180,770
Accounts receivable (Note 10)	95,678	58,290
Inventories (Note 4)	197,214	191,960
Prepaid expenses	221	369
Total current assets	403,161	431,389
Property and equipment, net (Note 5)	624,221	540,369
Other assets, net (Note 6)	31,849	26,135
Total assets	$ 1,059,231	$ 997,893
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities (Notes 7 and 8)		
Accounts payable	$ 28,969	$ 24,156
Accrued liabilities	38,631	39,075
Advances	7,684	8,444
Total current liabilities	75,284	71,675
Workers' compensation liability (Note 8)	59,607	63,282
Total liabilities	134,891	134,957
Contingencies and commitments (Notes 12 and 13)		
Equity		
Invested capital	32,435	32,435
Cumulative results of operations	891,905	830,501
Total equity	924,340	862,936
Total liabilities and equity	$ 1,059,231	$ 997,893

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Statements of Operations and
Cumulative Results of Operations

For the Years Ended September 30, 2021 and 2020

	2021	2020
	(In Thousands)	
Revenue from sales (Note 10)	$ 928,941	$ 773,166
Cost of goods sold	671,676	570,603
Gross margin	257,265	202,563
Operating costs:		
General and administrative expenses	139,675	128,306
Research and development	56,186	51,254
	195,861	179,560
Excess of revenues over expenses	61,404	23,003
Cumulative results of operations at beginning of year	830,501	807,498
Cumulative results of operations at end of year	$ 891,905	$ $830,501

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Statements of Cash Flows

For the Years Ended September 30, 2021 and 2020

	2021	2020
	(In Thousands)	
Cash flows from operating activities		
Excess of revenues over expenses	$ 61,404	$ 23,003
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	46,637	43,687
Loss from obsolescence of other assets	938	822
Gain from disposal of property and equipment	(3)	-
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	(37,388)	1,814
(Increase) Decrease in inventories	(5,254)	7,871
(Increase) Decrease in prepaid expenses	148	(108)
(Increase) Decrease in other assets	(6,652)	(10,959)
Increase (Decrease) in accounts payable	4,813	1,851
Increase (Decrease) in accrued liabilities	(444)	8,439
Increase (Decrease) in advances	(760)	2,287
Increase (Decrease) in workers' compensation liability	(3,675)	5,090
Net cash provided by operating activities	59,764	83,797
Cash flows from investing activities		
Purchases of property and equipment	(130,486)	(156,719)
Net cash used in investing activities	(130,486)	(156,719)
Net increase (decrease) in cash	(70,722)	(72,922)
Cash at beginning of year	180,770	253,692
Cash at end of year	$110,048	$180,770

See accompanying notes to the financial statements.

1. Reporting Entity

The Bureau of Engraving and Printing (Bureau), a component of the United States (U.S.) Department of the Treasury, is the U.S. Government's security printer. The Bureau designs and produces U.S. currency. The Bureau also advises and assists federal agencies in the design and production of other U.S. Government documents requiring counterfeit deterrence or secure production.

The Bureau operates under basic authorities conferred by the Act of July 11, 1862, (12 Stat. 532; also, 31 U.S.C. 5114) and other laws and regulations. In accordance with the provisions of Public Law 81-656, effective August 4, 1950, the operations of the Bureau are financed by means of a revolving fund. This fund is reimbursed through billings to the Bureau's customers for products delivered. Public Law 95-81 authorized the Bureau to include in its product prices an amount to provide funding for the acquisition of capital equipment and future working capital. Invested capital represents the historical value of the initial contribution made by the Federal Government.

The financial statements represent the consolidation of a federal Revolving Fund and a Deposit Fund. The majority of all financial transactions are contained in the Bureau of Engraving and Printing Revolving Fund, which finances Bureau operations. The Mutilated Currency Claims Fund, which is a Deposit Fund, is used to redeem damaged paper currency received from the public. All significant balances and transactions between the funds have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Bureau has historically prepared its financial statements in conformity with U.S. generally accepted accounting principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. Under such standards, the Bureau prepares its financial statements using the full accrual basis of accounting under which revenues are recognized when earned and expenses are recognized as incurred, regardless of when cash is exchanged.

The Federal Accounting Standards Advisory Board (FASAB) has been designated by the American Institute of Certified Public Accountants as the standards-setting body for financial statements of Federal Government entities, with respect to the establishment of GAAP. FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in conformity with GAAP for those federal agencies, such as the Bureau, that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, the Bureau’s financial statements are presented in accordance with accounting standards published by the FASB. Accordingly, consistent with historical reporting the Bureau's financial statements are presented in accordance with accounting standards published by the FASB. Certain presentations and disclosures may be modified, if needed, to prevent the disclosure of classified information.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related revenues and expenses. Those estimates most significant to the Bureau's financial statements are the actuarial estimates made by the U.S. Department of Labor (DOL) in arriving at the liabilities for workers' compensation, allowances for obsolescence, the useful lives of property and equipment, the likelihood of losses associated with contingent liabilities, and certain accrued expenses at the date of the financial statements. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Cash

Cash represents the aggregate amount of the Bureau's funds held on deposit with the U.S. Treasury and are available to pay liabilities.

Inventories

Raw material and supply inventories are stated at standard cost, except for one advanced counterfeit deterrent material, which is valued using the first-in-first-out (FIFO) method. Finished goods inventories are valued at standard cost by denomination. All methods approximate actual cost. Cost elements included in work-in-process and finished goods inventories are direct materials, direct labor, manufacturing overhead and manufacturing support.

Any raw materials inventory determined obsolete is immediately expensed resulting in no allowance for inventory obsolescence for raw materials.

Property and Equipment

Property and equipment are recorded at cost. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. The capitalization threshold is $50,000. The Bureau capitalizes all cost associated with new construction and building improvements.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The Bureau is not charged for the use of the buildings or land, but is responsible for maintenance and repair of all buildings and land improvements. The land and building shell for the Bureau's Western Currency Facility (WCF) were donated by the City of Fort Worth, Texas to the U.S. Department of the Treasury (See Note 5).

Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

Machinery and equipment	3 - 15 years
Building improvements	3 - 40 years
Information technology (IT) equipment and software	3 - 5 years
Office machines	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	3 - 9 years

Other Assets

Other assets consist principally of machine repair parts and tools, which are used in the production of the Bureau's products. Other assets are stated at standard cost, which approximates actual cost, net of a reserve for obsolescence.

Employee Retirement Plans

Bureau employees participate in the contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), to which the Bureau and employees make contributions according to plan requirements. Consistent with reporting under multi-employer pension plans, the Bureau does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by the Office of Personnel Management (OPM).

Postretirement Benefits Other than Pensions

Postretirement benefits for former Bureau employees, specifically health care costs and life insurance, are administered and paid by OPM through appropriations received from the U.S. Government. The Bureau does not reimburse OPM for these payments. The Bureau's financial statements do not include the cost of employee postretirement benefits paid by OPM, or the actuarial liability for such benefits.

Workers' Compensation Costs

The Federal Employee Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the Bureau's employees under FECA are administered by DOL and are ultimately paid by the Bureau.

The FECA liability consists of two components. The first component, the accrued FECA liability, is based on actual claims paid by DOL but not reimbursed by the Bureau. The Bureau reimburses DOL for the amount of actual claims normally within one to two years after payment is made by DOL. As a result, the Bureau recognizes a current and non-current liability for actual claims paid by DOL, to be reimbursed by the Bureau.

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future workers' compensation estimates were generated by DOL from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future worker's compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value using the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues to reflect the average duration in years for income payment and medical payments. Discount rates as of September 30, 2021 were 2.231% and 2.060% for wages and medical in year one and subsequent years, respectively. Discount rates as of September 30, 2020 were 2.414% and 2.303% for wages and medical in year one and subsequent years, respectively. The U.S. Department of the Treasury allocated the overall liability to Treasury components based on past claims paid information provided by DOL.

Annual, Sick, and Other Leave

Annual leave is accrued as a liability when earned and the accrual is reduced as leave is taken. The balance in this accrued liability account reflects current pay rates.

Sick leave and other types of non-vested leave are expensed as the leave is taken.

Revenue Recognition

Revenue from sales to the Federal Reserve Board is recognized when finished goods satisfactorily pass all Bureau quality control standards and are delivered to the on-site depository vaults designated for the Federal Reserve Board and are available for immediate shipping by the Federal Reserve Board. Finished goods are released for shipment in accordance with customer requirements. Revenue from the sale of uncut currency to the public is recognized at the time the product is shipped. The Bureau does not record an allowance for returns because of a historically negligible return rate. Additionally, on a quarterly basis BEP bills the board and recognizes Revenue related to actual expenses incurred for WCF expansion costs and the new D.C. Facility.

Tax Status

The Bureau is a federal entity, and therefore is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Contingencies

Liabilities from loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation cost can be reasonably estimated. Loss contingencies that do not meet these criteria, but are reasonably possible and estimable are not accrued, but are disclosed in Note 12.

Fair Value Measurements

FASB Accounting Standard Codification (ASC) 820-10*, Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Bureau's financial instruments are comprised of cash, accounts receivable, accounts payable, accrued liabilities, and advances as of September 30, 2021 and 2020, respectively. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of these instruments. The Bureau holds no financial instruments that are required by ASC 825-10, *Financial Instruments - Overall*, to be valued, reported, or disclosed at fair value as of September 30, 2021 or 2020.

3. Cash

The year-end cash balances by fund are as follows as of September 30, 2021 and 2020:

	(In Thousands)	
	2021	**2020**
Bureau Revolving Fund	$ 102,364	$ 172,327
Mutilated Currency Claims Fund	7,684	8,443
Total	$ 110,048	$ 180,770

The balance in the Mutilated Currency Claims Fund, consisting of advances available to process claims for mutilated currency submitted for redemption by the public (including banks), is offset by a liability to the public, which is included in advances on the balance sheets as of September 30, 2021 and 2020, respectively (See Note 7).

4. Inventories

Inventories consist of the following as of September 30, 2021 and 2020:

	(In Thousands)	
	2021	**2020**
Raw material and supplies	$ 74,530	$ 63,356
Work-in-process	76,756	57,148
Finished goods - currency	14,215	39,336
Finished goods - uncut currency	26,487	26,415
E-Reader inventory	5,226	5,705
Total	$ 197,214	$191,960

5. Property and Equipment, net

Property and equipment consist of the following as of September 30, 2021 and 2020:

	(In Thousands) 2021	2020
Machinery and equipment	$ 711,092	$ 702,293
Building and land improvements	312,123	306,913
IT equipment and software	197,180	180,397
Office machines	1,685	1,685
Furniture and fixtures	1,339	1,339
Donated assets - art work	125	125
Motor vehicles	175	175
Leasehold improvements	230	230
	1,223,949	1,193,157
Less accumulated depreciation	923,055	877,381
	300,894	315,776
Construction-in-progress	323,327	224,593
Net property and equipment	$ 624,221	$ 540,369

Depreciation expense for the years ended September 30, 2021 and 2020 was $46.6 million and $43.7 million, respectively.

The majority of the increase in construction-in-progress from 2020 to 2021 was due to an increase in spending for progress payments for the acquisition of new production equipment. Equipment spending occurred primarily on the WCF Intaglio Presses, $100 Finishing Line, Ouicksilver Rotary, and Non-sequential Large Examining and Printing Equipment for WCF. The increase in spending on construction projects occurred primarily on the WCF Expansion, but also included additional spending on the DC Production Facility Program.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The land and building shell for the Fort Worth, Texas facility were donated by the City of Fort Worth to the U.S. Department of the Treasury in 1987, which holds the title thereto. At the time of donation, the land had an appraised value of $1.5 million and the building shell cost was $5.6 million. In accordance with the provisions of Public Law 81-656, Bureau financial statements include only the costs to build out the facility.

6. Other Assets, net

Other assets consist principally of machine repair parts and tools. The allowance for obsolescence for these parts and tools for years ended September 30, 2021 and 2020 was $18.7 million and $17.8 million.

7. Current Liabilities

All current liabilities are funded and consist of the following as of September 30, 2021 and 2020:

	(In Thousands) 2021	2020
Intragovernmental	$ 5,080	$ 4,974
With the public	70,204	66,701
Total	$ 75,284	$ 71,675

Accrued current liabilities consist of the following as of September 30, 2021 and 2020:

	(In Thousands) 2021	2020
Payroll	20,514	19,585
Annual leave	13,593	14,937
Workers' compensation	4,315	4,233
Other	209	320
Total	$ 38,631	$ 39,075

Advances consist of the following as of September 30, 2021 and 2020:

	(In Thousands) 2021	2020
Mutilated Currency	$ 7,684	$ 8,443
Other	-	1
Total	$ 7,684	$ 8,444

8. Workers' Compensation Liability

Claims incurred and paid by DOL as of September 30, 2021 and 2020, but not yet reimbursed to DOL by the Bureau, are approximately $9.5 million and $9.7 million, respectively, of which approximately $4.3 million and $4.2 million represent a current liability, as of September 30, 2021 and 2020, respectively. The Bureau will reimburse DOL for these claims in the next two years. The Bureau's estimated non-current, actuarially derived future workers' compensation liability was approximately $54.4 million and $57.8 million as of September 30, 2021 and 2020, respectively. The Bureau's estimated, undiscounted, non-current, actuarially derived future workers' compensation liability was approximately $71.9 million and $79.1 million as of September 30, 2021 and 2020, respectively.

9. Employee Retirement Plans and Postretirement Benefits Other than Pensions

Employer contributions to the retirement plans were $28.7 million and $24.2 million for fiscal years 2021 and 2020, respectively. The CSRS employer contribution rate for fiscal years 2021 and 2020 was 7.0%. The FERS agency contribution rate was 17.3% and 13.7% for fiscal years 2021 and 2020, respectively. The cost of providing the CSRS and FERS benefits is more than the amounts contributed by the Bureau and the employees to OPM. The additional cost of providing benefits, including the cost financed by OPM, which is not included in the Bureau's Statements of Operations, totaled $32.9 million and $32.1 million in 2021 and 2020, respectively.

OPM paid costs totaling $13.9 million and $12.9 million for the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) programs in 2021 and 2020, respectively. These costs are not included in the Bureau's Statements of Operations. The Bureau paid costs totaling $18.1 million and $17.4 million for the FEHBP and FEGLI programs in 2021 and 2020, which are included in the Bureau's Statement of Operations.

10. Concentration of Revenue

The Bureau's principal customers are other federal and quasi-federal governmental organizations. During 2021 and 2020, the Bureau's sales revenue from these organizations as well as the outstanding amounts due from them as of September 30, 2021 and 2020, are reflected in the following table:

	Revenue (In Thousands)		**Accounts Receivable** (In Thousands)	
	2021	**2020**	**2021**	**2020**
Federal Reserve Board:				
Currency Production	$ 888,565	$ 724,074	$ 76,460	$ 55,849
WCF Expansion	16,053	37,500	16,053	-
Mutilated Currency	3,939	4,013	1,006	1,003
Meaningful Access	743	543	229	80
New Facility	17,434	988	1,627	1,087
Total FRB	926,734	767,118	95,375	58,019
Other Intergovernmental	2,053	2,349	57	-
Total Intergovernmental	928,787	769,467	95,432	58,019
Total Public sales	154	3,697	-	-
Other	-	2	246	271
	154	3,699	246	271
Total	$928,941	$ 773,166	$ 95,678	$ 58,290

Revenues from other federal agencies are derived principally from the sale of security printing products to U.S. Government agencies and related fees charged.

11. Principal Suppliers

The Bureau is dependent upon sole suppliers for distinctive currency paper and several advanced counterfeit deterrent materials.

12. Commitments and Contingencies

The Bureau is a party in various administrative proceedings, legal actions, and claims brought against the Federal Government by employees, contractors, and other parties. Contingencies for litigations involving the Bureau, where the risk of loss was probable do not exist as of September 30, 2021 and 2020. Contingencies, where the risk of loss is reasonably possible, are approximately $3.8 million and $5.1 million as of September 30, 2021 and 2020, respectively. Since the risk of loss for these litigations is not probable, the Bureau did not record any liability. Management believes that the ultimate resolution of these litigations will not have a material impact on the reported financial position, results of operations, and cash flows.

In 2007, a judge ruled that the current U.S. currency design violates Section 504 of the Rehabilitation Act. The Court awarded no monetary damages. However, the Bureau is required to provide meaningful access to United States currency for blind and other visually impaired persons as part of the next currency redesign. The cost of currency changes necessary to provide meaningful access will be incorporated into future currency redesign costs. No costs related to the Court ruling have been accrued in the accompanying financial statements as of September 30, 2021 and 2020. As an interim measure, the Bureau is providing currency readers, free of charge, to eligible blind and visually impaired individuals.

The Bureau has contracted to purchase printing equipment costing approximately $259.0 million. As of September 30, 2021, the Bureau has made cumulative payments of $131.9 million and the remaining commitment outstanding is $127.1 million. Delivery of the printing equipment will be determined upon successful completion of final factory inspection tests. The Bureau entered into an Inter-Agency Agreement with the United States Army Corps of Engineers for the design review, construction, and contract administration of the Western Currency Facility expansion project and a new Washington DC Currency Facility. As of September 30, 2021, the Bureau has obligated $375.9 million for these projects and has made cumulative payments of $218.7 million. Progress payments related to the above contracts are included in construction-in-progress within Property and Equipment on the balance sheets as of September 30, 2021.

The Bureau does not carry commercial insurance on its physical assets because by law the Federal Government is self-insured.

At September 30, 2021, 1,136 employees, or 62% of our workforce, were covered by collective bargaining agreements. The BEP collective bargaining agreements exclude pay provision negotitations. There are a total of 19 agreements, of which, two are currently under negotiation. No agreements are set to expire within the next year.

13. Operating Lease

Rental expense for both years ended September 30, 2021 and 2020 was $3.1 million, respectively.

Future minimum payments under the cancelable lease as of September 30, 2021, are (in thousands):

For the years ending September 30:	Amount
2022	$3,518
2023	$3,886
2024	$3,901
2025	$3,916
2026	$3,932
Thereafter	$1,988
Total	$21,141

14. Subsequent Events

The Bureau has evaluated subsequent events through 12/17/2021, the date that the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.

REPORT WASTE, FRAUD, AND ABUSE

Submit a complaint regarding Treasury OIG Treasury Programs and Operations using our online form: https://oig.treasury.gov/report-fraud-waste-and-abuse

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