FINANCIAL MISSION AREA SUMMARY

MISSION: MANAGE THE GOVERNMENT'S FINANCES

As the primary fiscal agent for the Federal Government, Treasury manages the Nation's finances through collecting money due the United States, making its payments, managing its borrowings, performing central accounting functions, collecting delinquent debt, and producing coins and currency sufficient to meet demand. The bulk of the Department's resources are devoted to collecting taxes and customs duties—Treasury collects approximately 95% of total Federal receipts.

The Internal Revenue Service (IRS) is the primary tax collecting agent; the U.S. Customs Service and the Bureau of Alcohol, Tobacco and Firearms also collect billions of dollars in revenue each year. The Financial Management Service (FMS) provides central payment services for most Executive agencies, operates the Federal government's collections and deposit systems, provides government-wide accounting and reporting services, and manages the collection of delinquent debt. The Bureau of the Public Debt (BPD) executes the borrowing strategy determined by Domestic Finance in order to borrow what is necessary to meet the monetary needs of the Federal Government at the lowest possible cost over the long-term and to account for the resulting public debt. United States coins and currency are produced by the U.S. Mint and the Bureau of Engraving and Printing (BEP).

In achieving the goals in this mission area, Treasury ensures liaison and coordination with other agencies on cross-cutting activities. These include almost all Federal agencies for payments, collections, debt collection, and central accounting activities, and the Federal Reserve System for payments, collections, operational aspects of the distribution and redemption of government securities, and the circulation of coin and currency production. Similarly, the financial services regulatory agencies are conducting and active coordination effort within common areas of banking regulation

FY 2000 Highlights

- During FY 2000, the IRS made significant progress in its implementation of the IRS Restructuring and Reform Act (1998), such as the design and implementation of a new balanced performance measurement system. The design of its new organizational structure was completed and largely implemented with all major elements of the new structure scheduled to be operational in FY 2001.

- During FY 2000, the FMS advanced the electronic payments strategy as government paper check volumes decreased by 15 million payments while Electronic Funds Transfer (ETF) volume increased by more than 28 million payments. The percentage of payments made by EFT increased to 72% in FY 2000.

- Starting in FY 1999, FMS has been working with financial institutions to open Electronic Transfer Accounts (ETAs) to increase electronic government payments. As of September 30, 2000, over 600 financial institutions have been authorized to offer ETAs at 6,976 branches nationwide, with 5,126 accounts opened by Federal payment recipients.

- FMS and IRS launched a pilot project enabling taxpayers to enroll and make payments through the Internet in the Electronic Federal Tax Payment System (EFTPS). In FY 2000, EFTPS collected $1.5 trillion, generating cash management savings to Treasury and reducing the government's operating costs.

- Treasury issued new regulations for Treasury debt buybacks and began buyback operations, all of which went smoothly with heavy participation by the market. BPD conducted 13 buyback operations in FY 2000, repurchasing over $21 billion of Federal debt held by the public.

- BPD introduced the capability for the public to purchase savings bonds directly through the Internet with outstanding results. More than 390,000 bonds were sold totaling $85.8 million.

- BEP achieved manufacturing cost results in both its currency and postage stamp programs due to reduced spoilage, an improvement in ink usage (currency), and improved productivity in stamp coil processing.

- The U.S. Mint maintained productivity levels in producing and shipping 27.2 billion coins for circulation in FY 2000, a 33% increase from the FY 1999 level.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
132	**57 (43%)**	50 (38%)	25 (19%)	53 (40%)

GOAL: COLLECT REVENUE DUE TO THE FEDERAL GOVERNMENT

Treasury is responsible for the collection of approximately 95% of total Federal receipts such as individual and corporate income and other taxes, customs duties, fees, debts, and other money owed to the United States Government. The bulk of the Department's resources are devoted to collecting taxes and customs duties. Each year the Internal Revenue Service (IRS) collects more than one and a half trillion dollars primarily through the Electronic Federal Tax Payment System (EFTPS). The U.S. Customs Service (Customs) collects approximately 20 billion dollars and the Bureau of Alcohol, Tobacco and Firearms (ATF) approximately 12 billion dollars each year. The Financial Management Service (FMS) is responsible for administering the world's largest collection system, including EFTPS, and facilitates efficient collections by promoting electronic collections to Federal agencies. The purpose of this goal is to stimulate timely, complete collection of all monies due the government consistent with good customer service and business efficiency.

Key Partners in Achieving this Goal Include: The Federal Reserve system and the banking system.

Benefits to the American Public: Collection of taxes, fees and other money due to the Federal government enable it to operate, thus providing the services and benefits which Congress authorizes and funds through annual budget appropriations.

FY 2000 Highlights

- Treasury continued actions to combat the proliferation of corporate tax shelters.
- A major accomplishment of the year was a Treasury-led bipartisan effort to develop and enact legislation to repeal foreign sales corporations and revise the taxation of extraterritorial income.
- During FY 2000, the IRS made significant progress in all aspects of their modernization effort. Of particular significance were implementation of the many specific provisions of the IRS Restructuring and Reform Act of 1998 such as the design and initial implementation of a new balanced measurement system. The design of the new organizational structure was completed and largely implemented with all major elements of the new structure scheduled to be operational in fiscal year 2001.
- The IRS Business Systems Modernization Program concluded significant aspects of its planning phase and completion of its revised business vision, technology strategy and technical architecture. It also developed a new strategic-level planning process designed to reconcile many critical and competing priorities and initiatives with its resource limitations.
- In FY 2000, ATF continued the development of the National Revenue Center infrastructure by introducing system enhancements that allowed the five independent databases at the Center to communicate with each other. Ultimately, this will increase revenue collection efficiency by decreasing the possibility of manual errors in submitting the return and payment. In addition, the new system will allow comparison with data collected from monthly statistical reports to insure that the proper amount of tax has been paid.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
83	**27 (33%)**	34 (41%)	22 (27%)	22 (27%)

Treasury Objective: Improve and Simplify Tax Laws and Administrative Guidance, Consistent with Other Important Tax Policy Goals

Key Trends

For the second year in a row, complexity of tax law was identified as the number one problem facing taxpayers, and the root-cause of many of the other tax compliance problems. This was the finding of the second annual report of the Internal Revenue Service (IRS) National Taxpayer Advocate Service (TAS) when it compiled a list of the twenty most serious problems encountered by taxpayers. The list captures the opinion of those working with tax laws and guidance and their impact on the taxpayer. It was compiled by analyzing TAS casework data along with responses from four Citizen Advocacy Panels, 43 external stakeholder groups, and internal IRS stakeholders identifying and ranking the top problems. Respondents reported so many issues relating to complexity, TAS decided to list complexity this year as two problems -- separating concerns that pertain to individuals from those that affect business.

Treasury Programs

Tax law is a product of the legislative process. Thus, improvement and simplification of the tax code must be through agreement between the Congress and the Administration carefully balancing multiple policy objectives.

Treasury issues guidance that interprets the various provisions of the Internal Revenue Code and provides additional rules and regulations with respect to specific Code provisions. As the bureau responsible for administering the Code, the IRS is the primary drafter of most regulations published, and coordinates their development within Treasury. In addition, other guidance is published to interpret and explain the tax law. Such guidance helps taxpayers better understand and meet their tax obligations and plan their transactions with a clear understanding of the tax law in order to avoid uncertainty and controversy. This is increasingly important at a time when the complexity of tax law is perceived as a burden on taxpayers and an impediment to compliance with the tax law.

Under the IRS Restructuring and Reform Act (RRA) of 1998, IRS is required to provide an annual report to the Congress analyzing the sources of complexity in the administration of Federal tax laws. The report includes recommendations for reducing complexity of the administration of Federal tax laws and for repeal or modification of any provision the Commissioner believes adds undue and unnecessary complexity to these laws. The RRA also required that a tax complexity analysis accompany any committee report of legislation that directly or indirectly amends the Internal Revenue Code and which has widespread applicability to individuals or small businesses. This analysis is prepared by the staff of the Joint Committee on Taxation, in consultation with Treasury and the IRS.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Treasury continued actions to combat the proliferation of corporate tax shelters.

- An Office of Tax Shelter Analysis was established within the Large and Mid-Size Business Division of the IRS to coordinate its efforts to combat tax shelters.

- A major accomplishment of the year was a Treasury-led bipartisan effort to develop and enact legislation to repeal foreign sales corporations (FSCs) and revise the taxation of extraterritorial income. This legislation, carefully drafted to address the objections raised by the World Trade Organization (WTO) Appellate Body ruling regarding the FSC provisions, has important consequences for jobs, the national economy, and international relations with some of our most important trading partners. Passage of this legislation was absolutely essential to avoiding the potential imposition by the European Union of significant sanctions on American industries and to satisfying our obligations to the WTO.

- Work on efforts to modernize and improve the IRS's administration of tax laws continued. Simplifying changes and revisions were made to improve and expand electronic filing, implement protections on certain penalty and interest provisions, make a difference in the lives of innocent spouses, and strengthen taxpayer rights in collection and audit situations.

- The IRS National Taxpayer Advocate continued efforts to improve and simplify tax administration. The Advocate's FY 2000 Annual Report to Congress included 37 recommendations for legislative actions to reduce or eliminate problems taxpayers encounter.

- Treasury studies and reports regarding the operation and improvement of the Federal tax system addressed tax benefits for adoption, taxpayer confidentiality and disclosure provisions, depreciation recovery and methods, and interest and penalty provisions.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**0**	1 (50%)	1 (50%)	0

Departmental Offices Performance Goal: *Promote the development and implementation of effective tax policies*

Performance Measure: Simple, Fair, and Efficient Taxation

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	--	Qualitative Progress	See Below

Explanation of Measure: This is a qualitative measure of progress in simplifying the tax code, and making it more fair and efficient.

Explanation of Performance: In its efforts to simplify, and improve taxation, the Office of Tax Policy (OTP), in collaboration with the IRS, annually identifies and publishes the Guidance Priorities List (GPL), a list of tax guidance priorities for completion each year. These projects are identified in response to newly enacted legislation, court opinions, changes in the market, changes in taxpayer behavior, and comments from taxpayers or their representatives. The GPL ensures that resources for published guidance focus on the highest priority projects. The GPL also serves as a means of communicating guidance priorities to taxpayers. Additional critical guidance is quickly developed and issued to address problems not anticipated in the annual GPL. Over 400 items of tax guidance were issued in FY 2000.

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Develop National Revenue Center infrastructure, collect all the revenue rightfully due, and use electronic commerce*

Performance Measure: Reduction in Regulatory Burden (Reduction, in Total Hours, in Time Required by Industry to Comply with ATF Regulations)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	963,570	484,600	482,000	6,922

Explanation of Measure*:* This measure reflects the reduction of time from prior-year levels required to comply with ATF regulations, including the preparation of forms and record-keeping requirements. Burden is also defined as the number of forms required. This measure is tracked annually based on the number of forms and record keeping requirements.

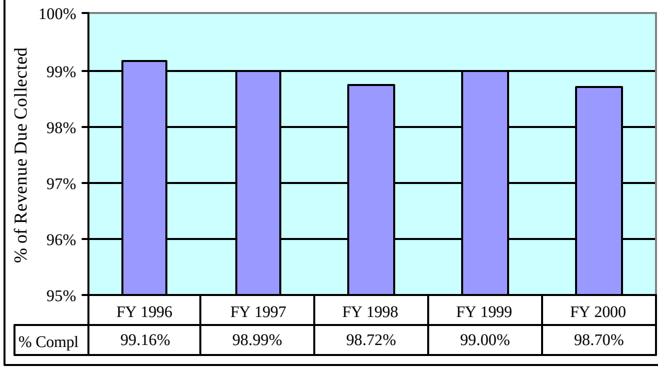
Explanation of Shortfall: Based on unforeseen changes in the laws and regulations, ATF was unable to meet the planned burden reduction performance measure. An example of an unforeseen change impacting the goal occurred when Section 9302(j), of the Balanced Budget Act of 1997, called for a floor stocks tax on all cigarettes held for sale on January 1, 2000. The requirement to make a record of physical inventories or a record inventory with appropriate source documentation, resulted in an increase burden hours of 1.5 million.

Treasury Objective: Increase Compliance with Tax and Trade Laws

Key Trends

Voluntary filing, payment and reporting compliance are the cornerstone of America's revenue collection system. Compared with many other countries, U.S. taxpayers as a group are highly compliant with the Nation's tax code and trade laws. The U.S. Customs Service (Customs) estimates a very high compliance rate in revenue payments, i.e., the total import revenue amount collected as a percentage of the amount that is due (see Fig. 11).

Fig. 11: U.S. Customs Revenue Compliance Rate



The Internal Revenue Service (IRS) and the Bureau of Alcohol, Tobacco and Firearms (ATF) are working to develop similar outcome measures of compliance for their revenue collection programs. In FY 2000, the IRS began to identify specific strategic measures addressing payment, filing and reporting compliance for its major customer segment. These compliance measures will be refined and finalized in FY 2001.

Treasury Programs

The IRS's mission is to provide America's taxpayers with top quality service by helping them to understand and meet their tax responsibilities and by applying the tax laws with integrity and fairness to all. The IRS's strategy is to emphasize customer service programs at each phase of the filing experience to increase voluntary tax law compliance.

- Pre-filing assistance in FY 2000 included improved telephone service to answer questions 24 hours a day, seven days a week, increased hours and service at walk-in locations, and rewriting the most frequently used taxpayer notices to make them easier to understand and easier to complete.

- Filing and assistance programs focused on expansion of electronic filing and payment alternatives and return processing accuracy and the timeliness of refunds.

- Post-filing activities included dedicated "Problem Solving Days" to assist taxpayers with problems and customer satisfaction surveys of the Examination, Collection, Employee Plans, Exempt Organizations, Customer Service, and Appeals functions to identify areas for further improvement. In accomplishing this strategy, the IRS must make certain that taxpayer privacy rights are protected as IRS explores more efficient and effective means to deliver service and enforce compliance. In FY 2000, IRS also slowed the growth of accounts receivable, resuming collection efforts that had fallen off in FY 1999.

Customs, faced with the challenge of rapidly expanding trade, focuses on "informed compliance" by providing commodity-specific public outreach seminars, publications, and an Internet home page. To enhance revenue compliance, Customs sponsors various meetings and seminars that importers are invited to attend. Customs also provides special programs that provide importers with the necessary information to transmit compliant entries, even before the merchandise is shipped to the United States. In addition, Customs provides international outreach efforts including conferences designed to inform other nations of the United States' trade laws.

ATF collects revenue through alcohol, tobacco and firearms/ammunition excise taxes, special occupational taxes, and National Firearms Act enforcement regarding transfer taxes and various licenses and permit fees. These taxes and fees provide approximately $12.4 billion in annual revenue to the Federal Government. The taxes and fees are collected through ATF's National Revenue Center.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

***IRS*:** During FY 2000, IRS made significant progress in all aspects of their organizational modernization effort. Of particular significance were the:

- Continued training and implementation of the many specific provisions of the IRS Restructuring and Reform Act of 1998;
- Design of the new organizational structure was completed and largely implemented with all major elements of the new structure scheduled to be operational in fiscal year 2001;
- IRS Business Systems Modernization Program, which concluded significant aspects of its planning phase and completion of its revised business vision, technology strategy and technical architecture by the end of calendar year 2000;
- Completion of the design and implementation of a new balanced measurement system; and,
- Development of a new strategic-level planning and budgeting process designed to reconcile many critical and competing priorities and initiatives with its resource limitations.

ATF: In FY 2000, ATF continued the development of the National Revenue Center infrastructure by introducing system enhancements that allowed the five independent databases at the Center to communicate with each other. Ultimately, taxpayers will be able to access the system via the Internet, call up a form and submit the form and the payment electronically. This will increase revenue collection efficiency by decreasing the possibility of manual errors in submitting the return and payment. In addition, the new system will allow comparison with data collected from monthly statistical reports to insure that the proper amount of tax has been paid.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
79	**25 (32%)**	33 (42%)	21 (27%)	21 (27%)

Customs Service Performance Goal: *Stimulate and protect the economic interests of the United States by maintaining a sound trade management system which maximizes compliance with import and export laws and moves legitimate cargo efficiently*

Performance Measure: Compliance Rate -- Revenue

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
98.99%	98.72%	99.00%	99.06%	98.70%

Explanation of Measure: This measure is an estimate of the percentage of total import revenue due to Customs that is actually collected.

Explanation of Shortfall: Customs continues to address ways to further close the revenue gap though compliance measurement and improvement in financial systems. Because the data comes from a random sample, slight deviations can be expected.

Performance Measure: Compliance Rate -- Imports

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
81%	81%	82%	90%	**90%**

Explanation of Measure: This measure is an estimate of the level of overall compliance with trade laws and regulations for imported goods. It is presented as the percentage of all cargo entry lines with no major discrepancies with trade laws and regulations. Compliance is determined by an intensive examination and analysis of a random sample of merchandise entering the country on an annual basis.

Performance Measure: Compliance Rate -- Primary Focus Industries

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
83%	84%	85%	92%	91%

Explanation of Measure: This measure is the percent of cargo entry lines in "primary focus industries" (PFIs) with no major discrepancies with trade laws and regulations. It is calculated using a weighted average of compliance rates for imported goods in the PFIs. PFIs are those trade areas that Customs gives priority attention to because of such factors as revenue, quota, and domestic industry impact. These industries include advance information displays, agriculture, automobiles, automobile and truck parts, bearings, board level products, fasteners, production equipment, steel mill products, telecommunications and apparatus, textiles and textile products, and wearing apparel. The measure is calculated by dividing the estimated total number of entry lines of the industries into the estimated total number of compliance entries.

Explanation of Shortfall: The measure for level of trade compliance for PFI's are based on statistically valid random examination of cargo. Minor fluctuations of data are normal and to be expected. Customs has managed to maintain compliance levels though innovative programs, despite a huge surge in trade volume.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Agency-wide Key Performance Indicators*

Performance Measure: Percent of Calls to Toll-Free Telephone Assistance Lines Answered by Customer Assistor Personnel

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	69.7%	53.3%	58.0%	**60.6%**

Explanation of Measure: The number of calls answered (less those calls taxpayers abandon while in the queue waiting for the next available assistor in Customer Service Toll-free, Automated Collection System, and the Centralized Inventory and Distribution System compared to the total number of calls attempted (demand).

Performance Measure: Accuracy Rate for Answers to Questions Regarding Tax Law on the Toll-Free Telephone Line

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
96.1%	93.8%	74.1%	80.0%	72.6%

Explanation of Measure: Accuracy of Tax Law information provided to taxpayers through the toll-free telephone assistance program as determined by subsequent review.

Explanation of Shortfall: The decline in this measure can be attributed to the centralization of the quality review function with significant decreases occurring as each new product has been added. Overall results for all customer service product lines show a decrease from 87% in FY 99 to 84% in FY 00. An analysis of the toll free area shows the mix and complexity of calls has changed giving some indication for the declines in quality scores. A new measure was developed during FY 2000: Correct Response Rate. This measure is designed to eliminate internal errors not impacting the outcome of the call to the customer. For tax law calls, the rate using September 2000 data stood at 80% (meeting target) and indicates quality for the customer is considerably better than the old overall quality score measure in which internal errors were included. As the Correct Response Rate measure indicates the target is being met, improvement actions already in place under the centralization effort will continue.

Performance Measure: Average Overall Quality Rating of Field Collection Cases Reviewed

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	86%	86%	83%

Explanation of Measure: The average Collection Quality Measurement System (CQMS) score of all collection cases sampled and reviewed during a given period (e.g., quarter) for a Collection organizational unit.

Explanation of Shortfall: Collection's declining performance in the CQMS measure was caused by a failure to meet any one, several, or all of the standards measured in this category, thus resulting in a lower overall composite score. These standards include a "Timeliness of Work Category." Analysis of the category revealed that a frequently used reason code for problems was "Lapse Prior to Assignment to Revenue Officer". This may be due to managers not having available employees to assign work to due to the detailing of staff. For example, the time Collection personnel were detailed out to perform other activities increased by 9.3% through September 2000 as compared with the prior year's experience. These other activities include assisting taxpayers who walk into the office, working the counter at taxpayer assistance centers and providing experienced employees for the IRS "Problem Solving Days." Plans to reverse this trend include additional staffing and continued training. FY 2001 plans show a projected increase of 3% based upon improvement opportunities that include better utilization of Collection Quality Measurement System data, improvement in the content and delivery of the Internal Revenue Manual for employees and target training for employees and managers.

Performance Measure: Average Overall Quality Rating of Field Examination Cases Reviewed

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	65%	68%	57%

Explanation of Measure: The score awarded to a reviewed Field Examination case by a third-party reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Explanation of Shortfall: The shortfall resulted, in part, from the IRS's inability to meet new quality standards mandated by the IRS Restructuring and Reform Act of 1998. Also, concerns regarding sampling methodology were addressed to ensure valid samples of cases reviewed, thus giving a truer indication of performance than in the past. Improvement in three areas -- Audit Scope, Relations/Professionalism, Workpapers/Reports -- will substantially impact performance over the long term.

Performance Measure: Average Overall Quality Rating of Office Examination Cases Reviewed

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	70%	72%	58%

Explanation of Measure: The score awarded to a reviewed Office Examination case by a third-party reviewer using the Examination Quality Measurement System (EQMS) quality standards.

Explanation of Shortfall: As with Field Examination Quality, the shortfall resulted, in part, from the IRS's inability to meet new quality standards mandated by the IRS Restructuring and Reform Act of 1998. Also, concerns regarding sampling methodology were addressed to ensure valid samples of cases reviewed, thus giving a truer indication of performance than in the past. Improvement in three areas -- Audit Scope, Relations/Professionalism, Workpapers/Reports -- will substantially impact performance over the long term.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Submission Processing*

Performance Measures:	**FY 1997 Performance**	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
				Target	**Performance**
Percent Refunds Made Timely: **Paper Filings in 40 Days or Less** ***E-File* Filings in 20 Days or Less**	-- --	85.5% 98.7%	83.2% 99.6%	85% 99%	**90%** **100%**
Percent Returns Processed Accurately: **Paper Filings** **In Distributed Input System**	94.6%	94.6%	93.9%	93.9%	93.8%
In Filing Code and Edit Process	95.2%	96.1%	96.8%	96.8%	96.4%
***E-File* Electronic Returns Processing**	99%	99%	99%	99%	**99%**
Percent of Tax Return Notices to Taxpayers Issued Accurately	98.6%	98.4%	97.4%	97.4%	**97.7%**
Individual Returns Filed through Electronic Returns Originators (in millions)	14.1	17.7	21.2	23.7	**25.2**
***Telefile* Touch-Tone Phone System Filings (in millions):** **Eligible Qtrly Payroll Returns** **Individual Tax Returns**	.1027 4.7	.5819 6.0	.9157 5.7	.9622 5.9	.8521 5.2
Percent of Individual Returns Filed Electronically	15.9%	19.8%	23.4%	26.5%	**28.0%**
Percent of Dollars Received Electronically	40.6%	67.7%	72.1%	75.3%	**75.4%**

Explanation of Measure: These measures concern IRS's activities to develop, publish, and distribute tax forms, publications and instructions to taxpayers; receive and process paper and electronic income tax returns and supplemental documents; process and account for tax revenues; process information returns such as wage, dividend, and interest statements; provide for payment of refunds and issue notices that payments are overdue; identify possible non-filers for investigation; and assist in the selection of tax returns for audit. They also cover Electronic Tax Administration, including receipt of electronically filed tax returns, information documents, and taxes due; electronic refund payments to taxpayers; and electronic communications between the IRS and taxpayers or third parties.

Explanation of Shortfalls:

Percent of Returns Processed Accurately: Paper Filings in Distributed Input System and Paper Filings in Filing Code and Edit Process (These two measures address the accuracy rate of tax returns processed through the Distributed Input System (DIS) without error for posting to the Individual Master File, and the accuracy rate of tax returns processed through the code and edit process without error for posting to the Individual Master File): The goals for accuracy in paper filings (both DIS and Code and Edit processes) were missed by a small margin due to a programming problem with the error codes which resulted in the error resolution system (ERS) charging errors incorrectly. The error data was examined and errors that had already been charged could not be removed. To prevent further errors the ERS examiners were provided with new instructions to change coding to prevent additional errors from being incorrectly charged.

Telefile **Touch-Tone Phone System Filings (in millions) for Eligible Quarterly Payroll Returns** (This measure refers to the number of employer's Quarterly Payroll Reports [Forms 941] filed through TeleFile)**:** The decline in the number of eligible filers of Quarterly Forms (Form 941) can be attributed to address changes, an increase in the tax liability (making them semiweekly depositors no longer eligible for 941 Telefile), and problems with the print vendor/mail out process. Electronic Tax Administration is currently conducting further research on the issue of declining volumes for this program and has secured a contractor to conduct an analysis of the program. Results are expected by June 30, 2001, and would be used to determine actions to improve performance.

Telefile **Touch-Tone Phone System Filings (in millions) for Individual Tax Returns** (This measure refers to the number of individual tax returns filed using a touch-tone telephone to reach the TeleFile system)**:** In addition to the common reasons why Telefile was not used (no current address on file or benefits are claimed that make the taxpayer ineligible) in Processing Year (PY)1999 (1/1/00 through 4/15/00) both student loan interest deductions and education credit made many more taxpayers ineligible for Telefile. In PY 1999 there were 1.7 million taxpayers who were eligible for Telefile but filed another tax form in order to take advantage of one of the new tax benefits. In addition, the growth of e-file has had an impact on Telefile with approximately 1.4 million of the eligible Telefile taxpayers using either their personal computer or a practitioner to e-file their tax form. The strategy for FY 2001/2002 shows Telefile participation with a slight decline as more taxpayers shift to other types of electronic filing.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Telephone and Correspondence*

Performance Measures:	**FY 1997 Performance**	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
				Target	**Performance**
IRS Toll Free Telephone Assistance - Percent Calls Assistors Answer					
All Assistance Lines	--	69.7%	53.3%	58.0%	**60.6%**
Auto. Collections System	--	--	80.7%	80.0%	78.9%
Percent Answers Accurate					
Tax Law Questions	96.1%	93.8%	74.1%	80.0%	72.6%
Account Status Inquiries	91.9%	87.9%	81.7%	63.0%	60.0%
Percent Scheduled Work Period Hours Delivered/Met at Toll Free Sites	--	--	24.7%	40.0%	**45.5%**
Percent Calls Resolved on Initial Inquiry	--	--	77%	79%	**80%**
Auto. Collection System Function - Percent Accuracy in Account Information Provided	--	--	68.7%	68%	63%
Weeks to Close a Case	--	--	60.7	35.0	58.0
Percent Cases Open for More Than 16 Months -					
Taxpayer Delinquent Accts	--	--	--	Baseline	11.52
Tax Delinquent Investigations	--	--	--	Baseline	10.04
Service Center Examination Function - Percent of Cases over 60 Days Old	--	--	--	Baseline	74.3%
Percent Accuracy in Service Center Examination and ASFR Cases	--	--	90.7%	82%	72.8%
Number of Exams Closed (in thousands)	--	--	722.6	484.0	324.6

Explanation of Measure: These measure assessed operations of district and service center toll-free operations, which provided responses to taxpayer requests received via telephone; performed adjustments and taxpayer relations functions which received and analyzed taxpayer inquiries initiated by correspondence; initiated contacts with taxpayers to resolve accounts before District Office action was required; prepared and issued letters proposing assessments; issued statutory notices of deficiency; operated the Automated Collection System (ACS); and determined taxpayers' correct income levels and corresponding tax liabilities.

Explanation of Shortfalls:

IRS Toll Free Telephone Assistance – Percent Calls Assistors Answer for Automated Collection System (This measure refers to the percentage of calls to ACS toll-free telephone lines that are answered): The slight decline in the level of service in ACS is attributed to the increase in call hand time (talk, hold, wrap-up) for calls received and the changing customer needs. Calls received are more complex and take longer to resolve as evidenced by the increase in the overtime call time and the decreases in productivity. Planned increases in FY 2001 to the ACS level of service are supported by increases in technology, such as updated decision models, enhanced telephone equipment, additional collection support systems, and the implementation of site specialization.

Percent Answers Accurate for Tax Law Questions (This measures refers to the accuracy rate for answers to questions regarding tax law on the toll free telephone line): The decline in this measure can be attributed to the Centralization of Quality Review with significant decreases occurring as each new product has been added. Overall results for all customer service product lines show a decrease from 87% in FY 1999 to 84% in FY 2000. An analysis of the toll-free area shows the mix and complexity of calls has changed giving some indication for declines in quality scores. A new measure was developed during FY 2000: Correct Response Rate. This measure is designed to eliminate internal errors not impacting the outcome of the call to the customer. For Tax Law calls, the rate using September 2000 data stands at 80% which does indicate quality for the customer is considerably better than the overall quality score when internal errors are included. As the Correct Response Rate measure indicates the target is being met, improvement actions already in place under the centralization effort will continue.

Percent Answers Accurate for Account Status Inquiries (This measure refers to the accuracy rate for answers to questions regarding taxpayer accounts provided to taxpayers through the toll-free telephone assistance program): Overall results for quality in all product lines decreased in FY 2000. Significant resources and activities were directed at improving quality with few results. Analysis indicates that the mix and complexity of calls has changed, which is some indication of the reason for quality declines. IRS web-based applications have proven to reduce the telephone demand leaving calls that do come through as more complex. Within the quality arena, examination has been done on cases which indicates that while the contact fails the quality standards, there is improvement in giving the taxpayer the correct response. In FY 2001, call specialization will be implemented, which is intended to narrow the scope and depth of knowledge required by the assistor. In addition, IRS plans to bring in a contractor to assist in determining the best quality processes for its customer products.

Automated Collection System Function – Percent Accuracy in Account Information Provided (This measure refers to the accuracy rate on calls to ACS assistors where account information was provided): Overall results for quality in all Customer Service product lines declined in FY 2000 due to increased call complexity. An analysis of calls coming in for all product lines shows that most taxpayers get their answers using the web-based applications and resort to calling the IRS with complex issues. In FY 2001, the IRS plans to narrow the scope and depth of knowledge required by the tax examiner with specialization training. In addition, plans are to perform a benchmarking and quality study using an outside contractor to determine the best quality processes for all customer service products.

Automated Collection System Function – Weeks to Close a Case (This measure refers to the number of weeks to close an ACS case): The cycle timeliness results decreased with the focus on closing old cases, which take greater time to work versus new ACS cases. In addition, low priority cases in the ACS inventories which do not rise to the top when employees are processing work under the "next case" concept (system determines highest priority work, not by First In-First Out) causes cycle time to increase until cases are removed systemically. In FY 2001, under the new Wage and Investment Operating Division, cycle timeliness is expected to remain at the 2000 level with a look toward identifying actions that can be taken to increase the level in FY 2002.

Service Center Examination Function – Percent Accuracy in Toll-Free Account Information Provided (This measure refers to the accuracy rate of information provided to taxpayers through the Service Center Examination and Automated Substitute for Returns programs): Decreases in quality can be attributed to the change in review methodology effective in July 1999. The previous methodology (% correct) resulted in a higher quality score, while moving to the service center standard of identifying correct/incorrect review resulted in lower quality rates, which were Anticipated for start-up. The timeliness aspect of the quality measurement also caused lower score, and as a result will be removed from the equation since timeliness does not denote the quality of the work product and will be tracked as a separate measure in FY 2001. There are no additional actions planned to improve performance in this Service Center area as a result of this measure because the reason for the lower score was a change in measurement methodology rather than performance.

Service Center Examination Function – Number of Exams Closed (in thousands) (This measure refers to the number of closures produced in Service Center Examination): Fewer starts in FY 1999 led to decreases in closures, dollars recommended, and average days to close in FY 2000. The carryover inventory level at the beginning of FY 2000 was substantially lower than that of FY 1999. This reduction in carryover resulted in fewer cases being closed which equated to fewer dollars being recommended for collection. In addition, the smaller carryover inventory contributed to the average days to close. The Earned Income Tax Credit (EITC) work (90% of the Service Center exam work) rectification program, which required IRS Form 8862 to be filed with the return, also had an impact on the work available in Service Center exam, since those taxpayers who did not properly file the form 8862 were treated as math error cases and were not included in the Service Center exam inventory. Due to the nature of the reasons for the shortfall, no improvement actions are necessary to address the results.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Taxpayer Advocate Service*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Average Time to Close a Case in the Taxpayer Advocate Service (Days)	--	--	--	Baseline	50.0
Average Quality Rating of Taxpayer Advocate Service Cases Reviewed	--	--	--	Baseline	65.3
Number of Cases Closed in the Taxpayer Advocate Service	--	--	--	Baseline	237,885

Explanation of Measure: These measures reflect activities of the Taxpayer Advocate function, which provides an independent taxpayer advocate within the IRS, ensuring that the individual interests of the taxpayer are represented in all aspects of the policies and procedures of the IRS, resolving taxpayers' problems through prompt identification and settlement, preventing future problems through prompt identification of the underlying causes of taxpayers' problems, identifying and raising the awareness of systemic issues impacting the operating divisions.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Examination*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Average Overall Quality Rating by Third Party Reviewer on Reviewed Examination Cases					
Field Examinations	--	--	65%	68%	57%
Office Examinations	--	--	70%	72%	58%
Number of Returns Exams Closed –					
Individual 1040 Tax Returns					
Income Less than $100,000	--	375,100	289,725	206,308	187,891
Income More than $100,000	--	103,400	94,759	77,329	63,217
With Business or Farming Schedule C or F	--	121,100	102,482	77,912	67,110
Corporations with Assets -					
Less than $10 Million	--	34,300	27,481	20,037	17,580
$10 Million and Over	--	9,200	10,287	11,110	8,978
Percentage Cases Where Processing Time is Longer Than:					
Field Examinations (9 Months)	--	--	41%	38%	43%
Office Examination (6 Months)	--	--	44%	42%	45%

Explanation of Measures: These measures relate to encouragement of voluntary compliance with the internal revenue laws through the determination of the correct tax liability by the selective examination of tax returns, the correction of errors, and the explanation of these corrections to taxpayers.

Explanation of Shortfalls:

Average Overall Quality Rating by Third Party Reviewer on Reviewed Examination Cases – Field Examination: Quality results were relatively stable during the year. Improvement opportunities were not realized due in part to standards related to the IRS Restructuring and Reform Act of 1998 procedures not being met. Also, concerns regarding the sampling were addressed to ensure valid samples of cases were reviewed. Analysis of the data reflects that focused improvement in 3 standards, Relations/Professionalism, Audit Scope, and Work Papers/Reports, will substantially impact performance over the long term.

Average Overall Quality Rating by Third Party Reviewer on Reviewed Examination Cases – Office Examination: Quality results were relatively stable during the year. Improvement opportunities were not realized due, in part, to standards related to RRA 98 procedures not being met. Also, concerns regarding the sampling were addressed to ensure valid samples of cases were reviewed. Analysis of the data reflects that improvements in 3 standards: Relations/Professionalism, Audit Scope and Work Papers/Reports will substantially impact performance over the long term.

Number of Returns Exams Closed (all measures under this category): The resources devoted to modernization (including design team, task groups, National Treasury Employees Union (NTEU) negotiations, etc.) caused a significant drain on available to direct exam work. In addition, the resources devoted to the filing season exceeded projections. Every hour devoted to the filing season detracted from the ability to meet examination objectives. An increase in closures for FY 2001 is projected to range between 5% and 10% due to improvement opportunities such as: priority work being directed to identified areas of noncompliance, centralization of exam selection, reduction of time spent by examination staff on training and details to Customer Service, providing training to managers on inventory management, and the hiring of new agents.

Corporations with Assets (all measures under this category) (These measures refer to the number of field and office examinations closed on corporations with assets less than $10 million, and the number of field and office examinations closed on corporations with assets $10 million and over): The resources devoted to modernization (including design teams, task groups, and NTEU negotiations) caused a significant drain on resources that could be devoted to direct exam work. In addition, the resources devoted to the filing season exceeded projections. Every hour devoted to the filing season detracted from the ability to meet the stated objectives. This measure will change in FY 2001 to reflect the dollar limitations imposed on the Large and Midsize Business, and Small Business and Self Employed units, with improvement opportunities such as directing priority work to targeted areas of noncompliance, reduction of time spent on training and detail out activities to allocate more direct time activities in this area, and providing additional training to managers on inventory management techniques.

Percentage Cases Where Processing Time is Longer than Target (all measures under this category) (These measures refer to the percentage of field examination cases taking longer than 9 months to process, and the percentage of office examination cases taking longer than 6 months to process): The Examination function had no hiring to fill staff attrition during FY 2000. As vacancies occurred there were no staff backfills to cover gaps. Those cases that were closed took longer to close. The longer time to work the cases was caused by lapsed time (employees pulled off for filing season support duties, task teams in support of modernization, etc.), and the fact that upon return the employee had to spend time re-familiarizing themselves with the facts of the case prior to being able to make decisions. FY 2001 Program Plans show a projected decrease of 5% in the overage rate from opportunities for improvement such as increasing the amount of direct time spent on case activity, training for managers in inventory management and improvement of scheduling practices.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Appeals*

Performance Measures:	**FY 1997 Performance**	**FY 1998 Performance**	**FY 1999 Performance**	**FY 2000**	
				Target	**Performance**
Appeals Cycle Time (Days)	--	--	--	Baseline	222
Total Disposals	--	--	--	Baseline	54,986

Explanation of Measure: These measures establish baseline measurement criteria for the IRS Appeals activity, which provides a channel for impartial case settlement prior to tax cases being docketed in a court of law

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Collections*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
Field Collection Activities					
Average Overall Quality Rating on Cases Reviewed	--	--	86%	86%	83%
Cases Closed on Delinquent Taxpayer:					
Accounts	--	1,319,491	1,029,706	751,745	**967,211**
Investigations	--	255,862	168,271	186,411	144,764
Average Percentage of Field Collection Cases In Process for 16 Months or Longer in the Previous 12 Months	--	15.9%	19.0%	21.7%	24.9%
Quality Score on Accuracy and Professionalism of Service Provided to Taxpayers Entering IRS Offices	--	--	--	Baseline	50%
Percentage of Offers in Compromise Processed Within 6 Months	64.0%	60.5%	51.4%	51.4%	37.8%

Explanation of Measures: These measures reflect efforts to collect unpaid tax accounts and secure delinquent returns; protect the Government's interest in litigation proceedings; develop and implement programs to prevent tax accounts from becoming delinquent; provide resources to service walk-in taxpayers; assist taxpayers in resolving tax account problems; help taxpayers to comply with tax laws by educating through outreach; and take appropriate enforcement actions when warranted.

Explanation of Shortfalls:

Field Collection Activities -- Average Overall Quality Rating of Field Collection Cases Reviewed: Collection's declining performance in the Collection Quality Measurement System (CQMS) measure was caused by a failure to meet any one, several, or all of the standards measured, thus resulting in a lower overall composite score. These standards include a "Timeliness of Work Category". Analysis of the category revealed that a frequently used reason code for problems was "Lapse Prior to Assignment to Revenue Officer". This may be due to managers not having available employees to assign work to due to the detailing of staff. For example, the time Collection personnel were detailed out to perform other activities increased by 9.3% through September 2000 as compared with the prior year's experience. These other activities include assisting taxpayers who walk into the office, working the counter at taxpayer assistance centers and providing experienced employees for the IRS "Problem Solving Days." Plans to reverse this trend include additional staffing and continued training. FY 2001 plans show a projected increase of 3% based upon improvement opportunities that include better utilization of CQMS data, improvement in the content and delivery of the IRM and target training for employees and managers.

Cases Closed on Delinquent Taxpayer Investigations: There are several internal factors that impacted the overall number of case dispositions. Decreases in staffing and increases in the number of employees providing assistance to other functions have resulted in fewer employees being available to work Collection cases. In addition, a shift in Collection's workload priorities, halfway through FY 1999, also impacted the indicator. TDI dispositions, although important, are not Collection's main focus. Providing quality, timely service to taxpayers that have contacted Collection in attempts to resolve their accounts are serviced first. A 2% increase is projected for FY 2001 by maximizing the use of the filing season resources from other areas, allowing for an increase in the direct time spent on Revenue Officer TDI inventories.

Average Percentage of Field Collection Cases in Process For 16 Months or Longer During the Previous 12 Months: Performance in the overage measure has steadily declined over the past two years. Decreases in staffing, along with significant increases in the number of Field Collection employees providing assistance to other functions such as customer service, resulted in fewer employees being made available to work collection cases. In addition, performance has been impacted by the implementation of various provisions of RRA 98 that require additional time be granted to the taxpayer prior to collection taking certain actions. The shift in work priorities that Collection made in FY 1999 continued to have an impact on case processing. A 2% decrease is projected in FY 2001 with improvement opportunities such as maximizing the use of filing season resources from other areas to minimize diversion of field compliance personnel, implementation of a trust fund compliance strategy, development of risk based end-to-end payment compliance and analysis of field compliance support activities. FY 2001 shows a projected decrease of 5% resulting from improvement opportunities such as increasing the amount of direct time spent on case activity, training for managers in inventory management and improvement of scheduling practices.

Percentage of Offers in Compromise Processed Within 6 Months (This refers to the percentage closed within 6 months of receipt as a result of acceptance, rejection or withdrawal): Several changes have occurred in the Offers in Compromise (OIC) program that impacted performance over the fiscal year. Collection increased its outreach efforts, changed the offer form and instructions, made them available on the internet, and implemented the provision of RRA 98 that created an additional basis for compromise. All of these changes made the offer program more visible resulting in more offers in inventory without an increase in staffing to compensate. Assistance provided to other functions by Collection employees also had an impact on the staff available to work the offer inventory. Continued roll-out of enhancements for centralized OIC processing is expected to have a major impact on improving future performance by providing advancements in quality, timeliness and efficiency. In addition, plans are to conduct outreach efforts to improve the quality of offers submitted decreasing processing delays and direct time expended on the front end.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Tax Exempt And Government Entities*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Processing Applications and Issuing Determination Letters					
Average Days to Process Applications for:					
Tax Exempt Organization Status	85	85	92	92	**81**
Qualified Employee Pension Plan	132	118	129	145	**142**
Quality Scores in Determination					
Tax Exempt Organization Status	--	--	--	Baseline	86
Qualified Employee Pension Plan	--	--	--	Baseline	78
Examination Process					
Average Number of Days to Examine					
Exempt Organizations Return	273	251	238	238	304
Employee Plan Return	192	193	191	200	**196**
Quality of Exam Casework on					
Exempt Organizations	--	--	--	Baseline	85
Employee Plans	--	--	--	Baseline	81
Number Exams Closed					
Exempt Organizations	--	--	--	Baseline	7,237
Employee Plan	--	--	--	Baseline	11,843
Number of Determination Cases Closed					
Exempt Organizations	--	--	--	Baseline	81,395
Employee Plans	--	--	--	Baseline	28,066
Staff Days Applied to Exams Conducted Under the Coordinated Examination Program					
Exempt Organizations	--	--	--	Baseline	51.9
Employee Plans	--	--	--	Baseline	18.7
Staff Years Applied to Education and Outreach Activities					
Exempt Organizations	--	--	--	Baseline	21.7
Employee Plans	--	--	--	Baseline	14.7

Explanation of Measure: These measures represent service to Tax Exempt Customers including Employee Plans (EP), Exempt Organizations (EO) and Government Entities. The customer organizations represent a large economic sector and are governed by complex, highly specialized provisions of the tax law designed to ensure that the entities fulfill the policy goals their exemption was designed to achieve. The customers range from local community organizations and municipalities to major universities, large pension funds and government entities. Government entities include outstanding tax-exempt bond issuances, state and local entities and federally recognized Indian Tribes.

Explanation of Shortfalls:

Examination Process – Average Number of Days to Examine Exempt Organization Returns: Although there was an initial target for FY 2000 of 238 days, the formula for calculating cycle time was changed for cases initiated after 10/1/00. Therefore, FY 2000 will set the baseline. EO has undertaken a process analysis of examination timeliness, to be completed in 2001. The results of this analysis will be used to determine appropriate responses. The trend upward in cycle time exceeds the FY 1999 results by approximately 20%. A systems analysis was conducted to determine the reasons for the trend. Factors believed to be in play include fewer general program examinations, and loss of experienced examiners with no attrition hiring until late FY 2000.

Number of Exams Closed for Employee Pension Plans: At nearly 99% of the target (11,843 cases closed v. 12,000 planned), the target can be considered essentially met. However, EP examination closures have declined because the mix of EP examination cases has shifted to more complex - and therefore more time-consuming - types of examinations. In addition, EP experienced at 27% decline in time applied to examinations from 1998 to 2000; the decline is attributable to the dedication of resources to support reorganization and to increased emphasis on pre-filing programs such as the customer education and outreach and the voluntary compliance program. EP examination case closures are expected to decline significantly in FY 2001 and 2002 due to an anticipated spike in determination processing as plans are amended to reflect recent legislative changes. In order to maintain service levels while dealing with the increased volume of determination applications, substantial examination resources will be redirected to complete determination work during this time period.

Number of Determination Cases Closed for Employee Plans: Due to the inordinately low receipts and the impending new law opening, more of the applications were initial requests instead of amendments and require longer to work. FY 2001 is the beginning of an open period for plan amendments, resulting in significantly higher determination receipts than usual. EP plans to manage this increased volume through the marketing of standardized plans, by implementing criteria for accelerated processing, by redesigning the determination system, and by maximizing the use of internal resources by temporarily shifting Examination resources to determination work.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Statistics of Income*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Percent of Statistics of Income Projects Delivered on Time	--	100%	100%	95%	**100%**
Percent of Inquiries to the Statistics Of Income Function that Were Acted Upon.	--	98%	99%	95%	**97%**

Explanation of Measure: These measures assess activity of the function which publishes the Statistics of Income Reports on the operation of income tax laws as required by the Internal Revenue Code for Congress and its committees; for administrative use by the Secretary of the Treasury and the Commissioner of Internal Revenue; and for the Federal benchmark statistical programs on income, wealth, and finance.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Chief Counsel*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Number of IRS Counsel Litigation Cases and Related Work Units Closed	--	--	86,371	85,300	82,744
Average Days Open for Revenue Rulings	--	846	448	477	499
Average Days Open for Private Letter Rulings	--	153	151	151	**140**
Number of Guidance And Assistance Work Units (Cases) Closed	--	--	14,963	14,570	**15,657**

Explanation of Measure: These measures assess the provision of correct legal interpretation of the internal revenue laws; representing the IRS in litigation; providing all other legal support for the IRS; and performing these duties in a manner that enhances public confidence in the integrity, efficiency, and fairness of our nation's tax system.

Explanation of Shortfalls:

Number of IRS Counsel Litigation Cases and Related Work Units Closed: Receipts and inventories of most categories of tax court cases have declined significantly in recent years. Tax court workload relates directly to the volume of IRS deficiency cases generated by examination, appeals, and the service centers. While total receipts and pending inventory declined by half from FY 1999 to FY 2000, total closures declined by approximately 17%. The decline in workload will be moderated by increasingly complex litigation and larger-dollar cases that require a disproportionate allocation of resources. This same trend is anticipated to carry through in FY 2001 and FY 2002.

Average Days Open for Revenue Rulings: Revenue rulings are the official interpretation of the internal revenue code, related statutes, tax treaties, and/or regulations as they relate to a specific factual situation. Revenue rulings may be based on a variety of sources and are selected because of the significance of the issue involved or because the issue is deemed to have widespread application to taxpayers in general. Cycle time represents average productivity at one point in time. For example, the third quarter FY 2000 actual average cycle time was 508 days. The fourth quarter FY 2000 actual average cycle time was 499. The complexity of cases and the actual number of rulings closed will vary widely at any point during a fiscal year. Without reviewing and comparing all cases for precise reasons, the 499 vs. 477 (4.61% difference can only be attributed to varying degrees of complexity and workload. In the future, cycle times, which are an average, will fluctuate based on the overall complexity of the cases received.

Internal Revenue Service Performance Goal: *Service to all taxpayers (Business Results) - Operations and Maintenance*

Performance Measures:	FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
				Target	Performance
Percentage of Timely Weekend Updates to the IRS Master File of Taxpayer Accounts	85.60%	66.92%	98.40%	97.00%	**100%**
Percent Availability to IRS Front Line Employees of Current Taxpayer Information on the:					
IRS Corporate Files On-Line CFOL) System	99.23%	99.70%	99.24%	99.00%	**99.84%**
Integrated Data Retrieval System - Real Time Availability	99.3%	99.40%	99.22%	99.00%	**99.33%**

Explanation of Measure: These measure assess operations of IRS information systems availability.

Bureau of Alcohol, Tobacco and Firearms Performance Goal: *Develop National Revenue Center infrastructure, collect all the revenue rightfully due, and use electronic commerce*

Performance Measure: Taxes/Fee Collected from the Alcohol, Tobacco, Firearms, and Explosives Industry (in billions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$12.7	$12.4	$12.1	$12.3	**$14.1**

Explanation of Measure: This measure includes revenue collected through alcohol, tobacco, and firearms/ammunition excise taxes, special occupation taxes, transfer tax and various license and permit fees.

Performance Measure: Taxes and Fees Collected per Dollar of Collection Expense

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$248	$193	$195	**$213**

Explanation of Measure: This measures the amount of taxes and fees collected divided by the amount of resources expended to collect such taxes and fees.

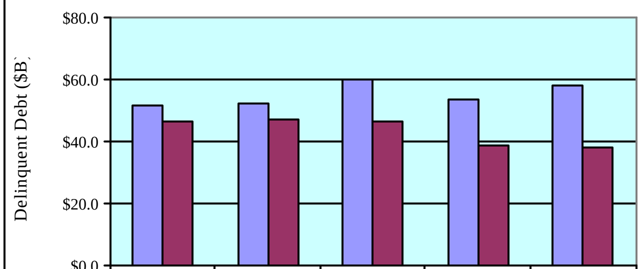
Treasury Objective: Improve Federal Non-Tax Delinquent Debt Collection

Key Trends

The Debt Collection Improvement Act (DCIA) of 1996 requires Federal agencies to refer delinquent non-tax debts over 180 days old to Treasury's Financial Management Service (FMS) for collection. FMS provides collection services through a network linking its own debt collection expertise and capabilities with those of FMS' financial centers, Federal program agencies' debt collection centers, private collection agencies, and the U.S. Department of Justice.

The success of Treasury's debt collection programs depends on providing effective and efficient debt collection and debt management services to all Federal agencies, leading the development and implementation of Government-wide debt management policies, and timely referrals of delinquent debts by program agencies. Actual collection depends on external economic and legislative variables beyond Treasury's control.

Fig 12: Federal Non-Tax Delinquent Debt



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Total	$51.4	$51.9	$60.0	$53.3	$58.0
> 180 Days	$46.1	$47.2	$46.4	$38.5	$38.1

Figure 12 shows total Federal non-tax delinquent debt balanced for FY 1996 through FY 2000 compared to the balances of Federal non-tax delinquent debt greater than 180 days old for the same period. (In FY 1999 and FY 2000, agencies began reporting significant amounts of debts as "currently not collectable," which are not included in the figures for debt greater than 180 days old.) Since passage of the DCIA, both the number of eligible delinquent debts referred to Treasury for collection and the amount of debt collected have steadily increased.

Treasury Programs

FMS collects delinquent debt primarily through two major programs: Cross-servicing and Treasury Offset. Cross-servicing is the process whereby Federal agencies refer delinquent debts to FMS for collection. In order to effectively collect the debts that agencies refer, FMS employs a variety of collection methods, including demand letters, follow-up telephone calls, skip tracing (i.e., locating debtors), referrals to the Treasury Offset Program (TOP), administrative wage garnishment, and private collection agencies.

The TOP is an offset program designed by FMS to assist agencies in the collection of delinquent debts, including non-tax debt and child-support obligations. TOP enables FMS to match delinquent debtor files against payment files. Payment types currently offset include vendor/miscellaneous, some salary payments, tax refunds (including child support), and Office of Personnel Management annuity payments. FMS maintains a database of delinquent debtor records referred from Federal agencies and states. These delinquent debtor records are matched against certain of the 892 million annual payments totaling more than $1 trillion made by FMS on behalf of more than 400 Federal agencies. When a match occurs, the payment is intercepted and the payment is offset, in whole or in part, to pay the delinquent debt. In addition to collecting Federal delinquent non-tax debt, TOP now collects delinquent state income tax debt and delinquent Federal tax debt through continuous levy.

FY 2000 Key Accomplishments and Performance Results:

Key Accomplishments

- During FY 2000, FMS had many significant accomplishments. Overall, collection of delinquent non-tax debt through FMS operations increased from $1.99 billion in FY 1998 to approximately $2.63 billion in both FY 1999 and FY 2000. FY 2000 collections through the cross-servicing program totaled more than $41 million. That amount is nearly double the FY 1999 collections, and represents over half the $74.9 million collected since the inception of the program in 1996.

- FMS has worked closely with Federal agencies to identify eligible debts and facilitate referrals. As of September 30, 2000, agencies had referred $4.6 billion in delinquent debts, representing 71 percent of all those debts specifically eligible for referral for the cross-servicing program. In addition, agencies have referred $26.8 billion of the $31.3 billion (86 %) eligible to be referred for offset.

- In January 2000, FMS began collecting delinquent state income tax debts by offsetting Federal tax refunds, as mandated by the 1998 Internal Revenue Service Restructuring and Reform Act. Through September 2000, seven states participated, 49,034 offsets were processed, and $23.1 million was collected. In July 2000, FMS began collecting delinquent Federal income tax debts by levying certain Federal non-tax payments (continuous levy) as authorized by the 1997 Taxpayer Relief Act. Through September 30, 2000, $54.7 billion of Federal tax debts have been referred to FMS for continuous levy of which $98.3 thousand has already been collected.

Performance Results

Following is a report on the performance in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**2 (100%)**	0	0	1 (50%)

Financial Management Service Performance Goal: *Maximize collection of government delinquent debt by providing efficient and effective centralized debt collection services*

Performance Measure: FMS Will Increase Debt Collection Through All Available Tools from the FY 1998 Baseline of $1.988 Billion to $2.3 Billion (billions)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$1.988	$2.631	$2.081	**$2.629**

Explanation of Measure: This measure provides information on the total dollars collected through debt collection tools operated by FMS.

Performance Measure: FMS Will Increase to 75% the Amount of Delinquent Debt That Is Referred to Treasury for Collection, As Compared to the Amount of Delinquent Debt That Is Eligible for Referral

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
32%	--	71%	75%	**83%**

Explanation of Measure: The Debt Collection Improvement Act of 1996 requires (with certain specified exceptions) that all Federal agencies refer delinquent debt over 180 days old to Treasury for offset and cross-servicing. This measure tracks the dollar value of debt referred to FMS as a percentage of the total dollar volume that is eligible for referral for both programs.

GOAL: MANAGE THE FEDERAL GOVERNMENT'S ACCOUNTS

Treasury serves as the Federal Government's financial manager by issuing electronic payments and checks, managing its cash, collecting money owed to it, and producing financial statements and other financial information. The Financial Management Service (FMS) performs most of these tasks as part of Treasury by serving as the Government's accountant, its central disburser of funds, and its collections agent, as well as its reporter of financial information. FMS also promotes sound financial management Government-wide through its cash management and credit administration programs. The Bureau of the Public Debt (BPD) and the DC Pension Fund in the Departmental Offices (DO) manage the investment of funds entrusted to the government. The purpose of this goal is for the Federal government to become a financial manager equal to the best in the world.

Key Partners in Achieving this Goal Include: The Federal Reserve System, other Federal agencies, financial institutions, and the banking system.

Benefits to the American Public: By managing the Government's accounts carefully, Treasury assures the public that it is disbursing its money equitably and collecting what is owed. In addition, the many reports (daily, monthly, quarterly and yearly) on the financial state of the government attest to Treasury's acceptance of its responsibility to the public as the government's fiscal agent.

FY 2000 Highlights

- During FY 2000, FMS's government check volumes decreased by 15 million payments while Electronic Funds Transfer (EFT) volume increased by more than 28 million payments. EFT participation for benefit payments increased from 73% to 75% in FY 2000. EFT increases are a direct result of continuing activities and outreach programs to encourage electronic transmissions of payments. This has resulted in lowering the unit cost of Federal payments, processing forgery and non-receipt of check claims.

- Since FY 1999, FMS has worked with the Dallas Federal Reserve Bank to encourage financial institutions to become Electronic Transfer Account (ETA) providers. As of September 30, 2000, over 600 financial institutions have been authorized to offer ETAs at 6,976 branches nationwide, with 5,162 accounts opened by Federal payment recipients.

- In FY 2000, FMS processed electronically 75% of the amount of all collections received.

- FMS and IRS launched a pilot project enabling taxpayers to enroll in the Electronic Federal Tax Payment System and initiate payments through the Internet. $1.5 trillion was collected through this system in FY 2000, generating cash management savings to Treasury and reducing the government's operating costs.

- FMS made major progress in the Government-wide Accounting project to examine and rebuild processes for collecting budget execution data and reporting on the budget surplus/deficit. In FY 2000, FMS' focus group of agencies, OMB and the Federal Reserve agreed on the scope of the project that will make information more accessible and timely to Federal agencies.

- FMS received almost 80% of all year-end budget execution data through a new process (FACTS II) that eliminates separate reporting to FMS and OMB. This process streamlines reporting, reduces errors, increases timeliness, and eliminates OMB/FMS reconciliations.

- During FY 2000, BPD implemented *FedInvest* for Treasury-managed fund investment operations. This fully integrated system replaced two of the three out-dated legacy systems used for the Federal Investment Fund Program. Public Debt and the Investment Funds are benefiting from improved accounting controls, customer service and other automated functions to more efficiently manage investment funds.

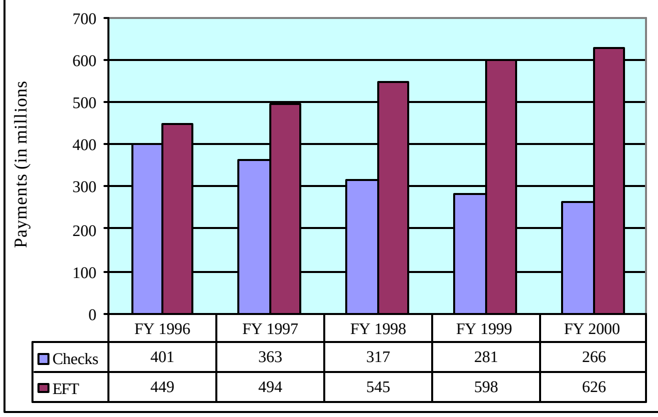
- In FY 2000, Treasury's D.C. Pensions program accomplished all statutory requirements. In addition to valuating and paying out funds, the program published proposed regulations for Treasury's administration and the methodology for determining Federal benefit payments. Treasury's Inspector General issued an unqualified audit opinion on the FY 1999 financial statement audit of the three trust funds. Treasury also undertook several activities to identify and reduce erroneous payments.

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
16	**12 (75%)**	2 (13%)	2 (13%)	11 (69%)

Treasury Objective: Ensure All Federal Payments are Accurate and Timely

Key Trends

Fig. 13: Payments by Check and EFT



Over the past eight years, Treasury's Financial Management Service (FMS) has significantly improved its electronic payment and collection systems. In doing so, FMS has been able to better serve its customers with more accurate and timely payments. The percentage of Federal payments transmitted electronically by FMS has increased from 50 percent in 1995 to 70 percent in 2000 (see Fig. 13).

Treasury Programs

One of the most visible services of the Federal Government to the public is making Federal payments. Federal program agencies, such as the Social Security Administration or the Department of Veterans Affairs, are responsible for determining for their programs the correct amount and timing of payments, as well as the correct recipients. Federal program agencies certify this information to FMS, which then disburses the payments.

FMS pursues several strategies to improve the Government's payment processes:

- *Electronic Data Interchange (EDI).* The EDI team is working with additional agencies on converting their payments to EDI. Additionally, the Payment Advice Internet Delivery system (PAID) provides payment-related information via the Internet for 82 agencies and approximately 5,600 registered users. The EDI team is also developing Electronic Commerce solutions for travel payment and medical payments.

- *Stored Value Cards.* FMS works closely with all military services to provide stored value smart cards for conducting financial transactions in military environments. The stored value card is currently used to solve cash management problems experienced overseas in Army deployed environments, on Navy ships at sea, and on military basic training sites. The card minimizes the cost for military finance offices to handle coin and currency. The use of the card also automates payments, accounting, and settlement. This reduces manual processing and streamlines business processes. FMS issued over 150,000 stored value smart cards to the military last fiscal year.

- *Internet Credit Card Collection (ICCC) Service.* This FMS service is a secure, web-based, credit card authorization portal that assists Federal agencies in processing collections over the Internet. It complements the traditional credit card authorization service offered by FMS via a Plastic Card Network agreement. Started in 1998, the ICCC service now supports more than two dozen agencies on the Internet. By providing this service, Federal agencies do not need to build separate, individual gateways to credit card networks over the Internet. Also, ICCC provides central consolidated reporting that supplements the acquiring bank’s settlement reports. Using this service, an agency can web-enable multiple collection cashflows within its operations by setting up distinct direct deposit accounts. The agency’s acquiring bank works with the ICCC service to make scheduled deposits into the agency’s Treasury CashLink account.

- *E-Check.* An example of new technology research and development is the electronic check ("e-check") pilot. E-check is an all-electronic payment mechanism modeled on the paper check. It is designed to reduce marginal transaction costs to zero, to allow remittance data to be securely attached, and to permit transport of the transaction over any medium. The e-check technology is based on a consortium of financial institutions, technology firms, and public institutions (IBM, Bank of Boston, the Federal Reserve Bank of Boston, Sun Microsystems, Citibank, Bank of America, Stanford University, and Bell Labs).

- *Pay.gov.* FMS launched Pay.gov, a new government-wide Internet portal for processing collections and related forms, and conducted the first pilot collection transaction with an excise tax collection over the Internet for the Bureau of Alcohol, Tobacco and Firearms. Pay.gov will help move paper check collections currently processed through FMS' paper lockboxes onto the Internet.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

FMS met or exceeded the majority of its performance goals for FY 2000 for this objective. Check volumes continue to decrease and Electronic Funds Transfer (EFT) volumes are increasing as a result of intensive, grass-roots campaigns to publicize the safety, security, and simplicity of electronic payments. Improved performance has been notable in lowering the unit cost of Federal payments, processing forgery and non-receipt of check claims, and electronic transmissions of payments.

- EFT participation for benefit payments increased from 73% in FY 1999 to 75% in FY 2000. Check volume decreased by 15 million payments while EFT volume increased by more than 28 million payments.

- Since October 1, 1999, FMS has worked with the Dallas Federal Reserve Bank (FRB) to encourage financial institutions to become Electronic Transfer Account (ETA) providers. As of September 30, 2000, over 600 financial institutions have been authorized to offer ETAs at 6,976 branches nationwide. Nine of the top ten check volume states each have more than 100 certified ETA branches, including Ohio, Texas and California which each have more than 500. Over 5,162 accounts have been opened by Federal payment recipients.

- FMS participated in 20 ETA Seminars for financial institutions at FRBs nationwide to educate financial institutions about the ETA and encourage participation in the program. FMS hosted 40 exhibit booths to highlight ETA and EFT; and supported 12 Strategic Alliance Meetings to encourage collaborative efforts between ETA providers and community organizations to promote the ETA.

- FMS worked with the Treasury's Office of Public Education and the contractor to develop consumer marketing materials, public service advertising, public relations, and community outreach efforts for the public education campaign. These materials educate Federal recipients about the benefits and availability of the ETA. We distributed more than 2 million pieces of marketing materials this fiscal year.

- Oversaw FRB's implementation and enhancements to ETA Voice Response Unit (VRU) operations, established to handle calls from the public for ETA Provider locations. VRU is operational when the Call Center is closed, or when the number of calls exceeds Call Center capability. Callers can enter a 5 digit ZIP code and the VRU system responds with Provider locations (if any) within a 10 mile radius of the ZIP code entered.

- Total Treasury-disbursed EFT payments increased from 68% in FY 1999 to 70% in FY 2000. Total non-tax Treasury-disbursed payments increased from 74% in FY 1999 to 75% in FY 2000. Payments covered under the Debt Collection Improvement Act increased in EFT percentage from 78% in Fiscal Year 1999 to 79% in FY 2000.

- Coordinated and wrote a comprehensive International Cash Management Plan. The plan provides initiatives for EFT payments and collections. Presented the plan to the key agencies involved with international transactions and obtained their support.

Performance Results:

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
7	**5 (71%)**	2 (29%)	0	5 (71%)

Financial Management Service Performance Goal: *Provide Federal payments timely and accurately, move toward an all-electronic Treasury for payments, and determine the optimal payment processing environment for the future*

Performance Measure: Dollar Savings by Reducing the Number of Check Payments (in thousands)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
$11,000	$13,100	$10,300	$16,300	$4,200

Explanation of Measure: This measure reflects savings to all Federal Program Agencies (FPAs) for which FMS disburses payments, including FMS. Most of the Government savings are not to FMS, but to the authorizing FPAs, since they currently reimburse FMS for check postage. The dollar savings are calculated by using an average of $0.2868 per check multiplied by the difference in check volumes from one fiscal year to the next (e.g., FY 1999 to FY 2000).

Explanation of Shortfall: Dollar savings are a direct result of the number of payments made by check vs. EFT. The percentage of Federal payments transmitted electronically has increased from 58 percent in FY 1997 to 70 percent in FY 2000, but did not achieve the FY 2000 target. FMS predicated its FY targets on a waiver policy that was more restrictive than the one finally adopted by Treasury. As a result, more payment recipients elected to continue with check payments than was originally anticipated. Efforts by FMS to further increase the use of EFT include actively promoting low-cost Electronic Transfer Accounts among Federal benefit recipients who do not maintain a bank account and working through interagency forums to convert more vendor and miscellaneous payments to EFT.

Performance Measure: Percentage of Check Payments Released on Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
99.9927%	99.9951%	99.9949%	99.9993%	**100%**

Explanation of Measure: This measure rates the effectiveness of the payments issuance process. "On-time" means that FMS releases checks to the U.S. Postal Service and EFT payments to the FRB so that their normal delivery will result in timely receipt by the payees.

Performance Measure: Percentage of Payments Customers Indicating an Overall Rating of Satisfied or Better

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	99%	99%	99%	**99**%

Explanation of Measure: This measure directly assesses satisfaction of payments customers with both checks and electronic payments. It is based on a survey that is sent to disbursing customers.

Performance Measure: FMS will Adjudicate Forgery and Non-receipt Check Claims Within 14 Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
96.8%	82.2%	93.5%	90.0%	**98.2%**

Explanation of Measure: This measure assesses the efficiency of claims processing. Adjudication is a segment of the entire process. The measure records the time it takes a claims analyst to make a determination to settle, deny, or defer a final disposition of the claim pending the receipt of additional information and/or investigative reports.

Performance Measure: FMS will make Treasury Payments and Associated Information Electronically

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
58%	63%	68%	75%	70%

Explanation of Measure: This measure shows the portion of the total volume of payments that are made electronically by FMS. Electronic payments include transfers made through the automated clearinghouse and wire transfer payments made through the FEDWIRE system.

Explanation of Shortfall: FMS is responsible for disbursing Federal payments. The percentage of Federal payments transmitted electronically has increased from 58 percent in FY 1997 to 70 percent in FY 2000, but did not achieve the FY 2000 target of 75 percent. FMS predicated its FY targets on a waiver policy that was more restrictive than the one finally adopted by Treasury. As a result, more payment recipients elected to continue with check payments than was originally anticipated. Efforts by FMS to further increase the use of EFT include actively promoting low-cost Electronic Transfer Accounts among Federal benefit recipients who do not maintain a bank account and working through interagency forums to convert more vendor and miscellaneous payments to EFT.

Performance Measure: Number of States in which Direct Federal Electronic Benefits Transfer (EBT) will be Retrofitted

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
2	7	8	20	**49**

Explanation of Measure: Currently, most states have Electronic Benefits Transfer (EBT) programs for state administered benefits. At the request of individual states, Treasury makes direct Federal benefits electronically available to recipients, using their state EBT card, by designating a Financial Agent to provide this retrofitting function. Treasury also has the option of providing access to Federal benefit recipients through a voluntarily opened account, known as an Electronic Transfer Account. Banks volunteer to provide this account to recipients, and agree to meet Treasury standards for the account. Having direct Federal EBT available in an individual state means that one of these two options is approved and functional within a given state.

Performance Measure: Unit Cost for FMS for Federal Government Payments

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$0.2500	$0.2158	$0.2000	**$0.1981**

Explanation of Measure: The measure indicates the unit cost that FMS incurs for making a payment (electronic or paper) for a Federal Program Agency.

Treasury Objective: Ensure that the Government's Cash Management Minimizes Risk and Provides Immediate Flow and Balance Information

Key Trends

One of the most important functions performed by the Treasury Department is management of the Government's cash to ensure that funds are available on a daily basis to cover Federal payments. To accomplish this, Treasury must accurately monitor the Government's receipts and payments and correctly predict the Government's future daily cash requirements. Improvements during the past several years enable Treasury to perform its cash flow management function with the most up-to-date and accurate information, and to reduce the burden on taxpayers by ensuring that the cost of borrowing funds is minimized. These improvements include enhancements to the cash flow reporting systems that were fully implemented in October 2000, continuing increases in electronic collections, and the acceleration of investment decisions.

Treasury Programs

Along with Treasury's Office of Cash and Debt Management and the Federal Reserve Bank of New York, the Financial Management Service (FMS) plays an integral role in monitoring the receipts and expenditures of the Federal Government and in estimating the amount of cash needed daily by the Government for its anticipated payments.

The Office of the Fiscal Assistant Secretary supervises the administration of the Government's fiscal affairs, including: payments, collections, cash management, debt collection, government-wide accounting, government investment fund administration, and debt financing. The Office of Cash and Debt Management manages the daily cash position of the government and produces the cash and debt forecasts used to determine the size and timing of the government's financing operations.

FMS is charged with developing and managing Federal financial systems to move the Government's cash flow efficiently, effectively, and securely. It supports other Government agencies by serving as the Government's primary disbursing agent, collection agent, accountant and reporter of financial information, and collector of delinquent Federal debt.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- 75% of the amount of all collections received in FY 2000 were processed electronically.
- $1.5 trillion was collected through Treasury's Electronic Federal Tax Payment (EFTPS) generating cash management savings to Treasury and reducing the government's operating costs.
- FMS and the Internal Revenue launched a pilot project enabling taxpayers to enroll in the EFPTS and initiate payments through the Internet.

Performance Results

Following is a report on performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
3	**3 (100%)**	0	0	2 (67%)

Financial Management Service Performance Goal: *Produce accurate, accessible, and timely government-wide financial information and reports, which contribute to the improved quality of the Nation's financial decision-making*

Performance Measure: Percentage of Days the *Daily Treasury Statement (DTS)* is Released On Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
97%	98%	100%	99.6%	**100%**

Explanation of Measure: This is a measure of effectiveness, since timeliness is critical to this function. Of the total workdays in the fiscal year, this measure shows the percentage of those days in which FMS met the agreed-upon standards for timeliness in providing the DTS to the Treasury. The DTS is a public document that Treasury publishes on a daily basis to reflect the cash transactions, holdings, loans, debts, etc., of the Government's money for the previous day.

Financial Management Service Performance Goal: *Provide timely collection of Federal Government receipts, at the lowest cost, through an all-electronic Treasury.*

Performance Measure: FMS Will Collect Electronically the Total Dollar Amount of Federal Government Receipts

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
52%	69%	72%	71%	**75%**

Explanation of Measure: This measure considers the percentage of Government collections that are collected by electronic mechanisms compared to total Government collections of current debt.

Performance Measure: Percentage of Corporate Withholding Taxes Collected Electronically

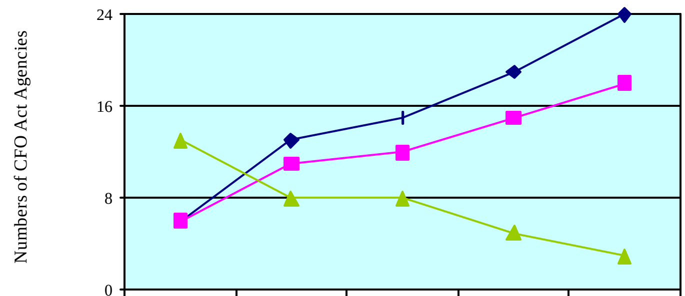
FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	84%	89%	94%	**94%**

Explanation of Measure: This measure describes the percentage of corporate withholding taxes collected compared to total withholding taxes collected.

Treasury Objective: Provide Accurate and Timely Information on the Government's Financial Status and Support the Government-Wide Implementation of Accounting Standards

Key Trends

Fig. 14: Audit Opinions of CFO Act Agencies



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Timely	6	13	15	19	24
Clean	6	11	12	15	18
Disclaimers	13	8	8	5	3

Providing accurate and timely financial information and implementing accounting standards is an important but ongoing challenge for all Federal agencies. The Chief Financial Officers (CFO) Act reinforced this importance by requiring that the 24 largest executive branch agencies provide audited financial information comparable to the private sector.

Each year Federal agencies prepare financial statements in accordance with Government-wide accounting standards. These statements are then audited by an independent organization that provides an opinion as to whether they are adequately supported and free of significant omissions or misstatements. An indicator of success is the number of the 24 CFO Act agencies that have received an unqualified audit opinion on their financial statements. An "unqualified" opinion means that the financial records are adequately supported and free of significant omissions or misstatements. In the 10 years since the CFO Act was passed, these 24 agencies have greatly improved their financial accounting and their ability to produce timely, clean statements with fewer disclaimers each year (see Fig. 14).

Treasury Programs

Treasury's Financial Management Service (FMS) is the Government's primary accountant and reporter of financial information used by the public and private sectors to monitor the Government's financial status and establish fiscal and monetary policies. It works with other Federal agencies to help them adopt uniform accounting and reporting standards and systems critical to FMS' ability to gather and publish Government-wide financial information

- FMS' Center for Applied Financial Management provides training to Federal employees throughout the Government on various aspects of financial management, including regulations and compliance. The Center also assists agencies to implement the government's Standard General Ledger, reconcile their records with Treasury, comply with Federal financial reporting requirements, and implement "off-the-shelf" computer systems/

- The Government-Wide Accounting (GWA) Project is re-examining FMS' existing business processes and making fundamental changes. This long-term project is expected to significantly affect existing systems of FMS and Federal agencies. The GWA Project will streamline reporting and reconciliation processes, and eliminate redundant data submissions from program agencies to central agencies that require reconciliation. In the future, FMS will produce more timely, accurate, and reliable financial reports while, at the same time, reduce the reporting burden on program agencies.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Major progress was made in the Government-Wide Accounting project to examine and rebuild FMS's processes for collecting budget execution data and reporting on the budget surplus/deficit. In FY 2000, agreement was reached, through the FMS focus group of agencies, the Office of Management and Budget, and the Federal Reserve, on the scope of the project. A strategy for modular implementation of changes was developed, and the first release is scheduled for October 2001. In addition, short term changes identified during the requirements review process were made to existing legacy systems, thus making information more accessible and timely to program agencies.

- The Consolidated Financial Report of the U.S. Government for FY 1999 was issued timely.

Performance Results

Following is a report on the performance targets established in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
3	**2 (67%)**	0	1 (33%)	2 (67%)

Financial Management Service Performance Goal: *Facilitate the achievement of a clean audit opinion on the Financial Report of the U.S. Government through our internal operations and support of Government agencies*

Performance Measure: Percentage of Agency Reports for the *Financial Report of the U.S. Government* Processed by FMS within the Established Standard Range

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
95%	81%	92%	97%	Data Not Yet Available*

Explanation of Measure: FMS collects and compiles agency financial statements for the *Financial Report of the U. S. Government*. They are processed with specified data validity checks. This measure assesses FMS's processing performance against an established standard.

FY 1999 results were not available when the FY 1999 Program Performance Report was published. FMS did not meet the FY 1999 target of 97%. There are 132 Federal departments and independent agencies, commissions, boards, etc., that report information to FMS for inclusion in the Financial Report for the U.S. Government. For FY 1999 reporting, 122 of these agencies (approximately 92%) were on time and met FMS standards for consistency. During FY 2000, FMS organized seven interagency task groups to identify and solve various problems agencies encountered in meeting the new standard.

* The results for this measure were not available in time for inclusion in this report. FY 2000 results will be reported in the FY 2001 report.

Financial Management Service Performance Goal: *Produce accurate, accessible, and timely government-wide financial information and reports, which contribute to the improved quality of the Nation's financial decision-making*

Performance Measure: Percentage of Days the *Daily Treasury Statement (DTS)* is Released On Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
97%	98%	100%	99.6%	**100%**

Explanation of Measure: This is a measure of effectiveness, since timeliness is critical to this function. Of the total workdays in the fiscal year, this measure shows the percentage of those days in which FMS met the agreed-upon standards for timeliness in providing the DTS to the Department of the Treasury.

Performance Measure: Percentage of GOALS I Applications Redeveloped for Migration to the GOALS II Platform

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000 Target	FY 2000 Performance
--	15%	60%	75%	**75%**

Explanation of Measure: "GOALS I" is the acronym for FMS's Government Online Accounting Link System. This system was being used by Government agencies to report their financial data to FMS, but as an older system it was outdated and expensive. FMS is now converting to the "GOALS II" system. This measure gauges the progress of the conversion. The percentage represents completed applications verified on the project plan that is tracked at a detail task level.

Treasury Objective: Strengthen the Government's Financial Infrastructure to Improve Program Management Across Government

Key Trends

The Treasury Department is the fiscal agent for the U.S. Government and is responsible for assisting agencies to ensure that accurate and timely financial information is available to program managers throughout the Government. Treasury's Financial Management Service (FMS) plays a critical role in strengthening the Government's financial infrastructure. FMS works to continue to improve its systems so agencies can report their financial information to Treasury more easily, quickly and accurately. The often exponential growth in the capability of information and communication technologies offers Treasury considerable opportunity to improve the financial systems underpinning its responsibilities. Examples include initiatives to increase the use of 1) the Internet for all FMS business processes including collections, payments, and government-wide accounting, and 2) Electronic Data Interchange, a payment alternative which permits the transmission of information, such as invoice details, along with the payment file.

Treasury Programs

Federal Agencies Centralized Trial Balance System II (FACTS II) has been implemented to improve the integrity and quality of agencies' budget execution data and to eliminate year-end reconciliation problems between FMS and the Office of Management and Budget.

Because of the central role that FMS plays in the Government's financial infrastructure, FMS' systems must provide complete, secure, and accurate financial information with a high degree of systems integrity. In FY 2000, FMS made considerable progress in strengthening its general computer and applications controls by completing conversion of the payment processing systems to operate under a new operating system. In addition, considerable improvements were also made in the FMS-wide security program, including developing and issuing new information technology security policies, performing internal and external risk assessments, and providing security awareness training to FMS employees nationwide.

Other examples of improvement to the Government's financial infrastructure are 1) FMS's expansion of the network used by the State Department for making international payments and sending associated messages, and 2) adoption of a Bank of America system for payments to vendors overseas by Federal stateside agencies.

FY 2000 Key Accomplishments and Performance Results

FACTS II: Major progress was accomplished in FY 2000 with about 80% of all year-end budget execution data received through the FACTS II process. This process reduces errors, increases timeliness, and eliminates the Office of Management and Budget/FMS reconciliations. This accomplishment sets the stage for 100% reporting for year-end 2001 data.

Following is a report on the performance targets established in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
1	**0**	0	1 (100%)	0

Financial Management Service Performance Goal: *Facilitate the achievement of a clean audit opinion on the Financial Report of the U.S. Government through our internal operations and support of Government agencies*

Performance Measure: Percentage Decrease in Unresolved Prior Year Recommendations and Audit Findings That Prevent a Clean Opinion on the Audit Of the Financial Report of the U.S. Government [until 1998, Known as the Consolidated Financial Statement (CFS)]

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	70%	5%	Data Not Yet Available

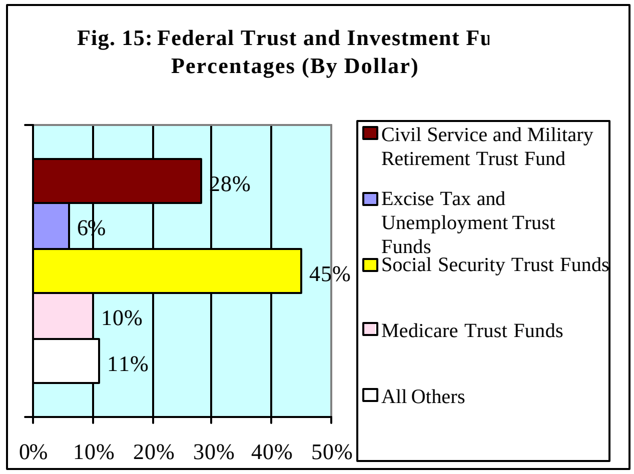
Explanation of Measure: This is a measure of improvements in the accuracy and integrity of the report through the decrease or elimination of the number of material and non-material audit findings, to achieve an unqualified "clean" audit opinion.

The results for this measure will not be available until April 2001, not in time for inclusion in this report. FY 2000 results will be reported in the FY 2001 report.

Treasury Objective: Ensure the Effective Management and/or Investment of Funds in Treasury's Custody

Key Trends

While the debt held by the public is decreasing due to budget surpluses, debt held by government agencies under Treasury's Federal Investment Fund Program is increasing. Under this program, Treasury holds and invests monies for government agencies that are authorized to invest in special non-marketable Treasury securities. The sources of the monies for investment are tax revenues, fees, and assessments collected for a specific purpose such as Social Security taxes, which is the largest Investment Fund (see Fig. 15).



Over time, these funds have experienced substantial growth in their number and value. In 1980, Federal Investment Funds' assets totaled $193 billion. In FY 2000, there were over 200 Investment Funds with balances in excess of $2.2 trillion. During FY 2000 alone, these Funds increased $247.26 billion, a 12.5% increase over FY 1999.

Treasury Programs

The Bureau of the Public Debt's (BPD) Federal Investment Fund Program offers securities investment services to Government agencies. More than 90% of these Investment Funds are managed by other agencies, with Treasury executing investment instructions provided by these agencies. The Secretary of the Treasury has responsibility as Managing Trustee for several of the largest investment funds, including Social Security, Highway, and Unemployment, which hold over $1 trillion. For these funds, BPD provides additional administrative and accounting services on behalf of the Secretary.

The Balanced Budget Act of 1997, as amended, transferred to the Secretary of the Treasury from the District of Columbia certain responsibilities for the pensions of District police, firefighters, teachers and judges, including administration of a portion of fund assets and distribution of a share of pension benefits. The Act relieved the District of the burden of unfunded pension liabilities transferred to the District from the Federal government in 1979. Treasury's Office of D.C. Pensions manages over $4 billion in three trust funds that provide retirement benefits to over 13,000 annuitants. Treasury's responsibilities involve a range of complex policy, technical, and operational activities, including actuarial, audit, financial reporting, investment, benefits administration, information systems, procurement, and legal.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- On April 1, 2000, BPD implemented FedInvest, an off-the-shelf investment accounting system, for Treasury-managed operations. This fully integrated system replaced two of the three out-dated legacy systems used for the Federal Investment Fund Program. The remaining legacy system will be replaced when FedInvest is implemented for agency-managed operations on January 1, 2001. Public Debt and the Investment Funds are benefiting from improved and automated accounting controls, automated interfaces with external systems such as market pricing, and improved customer service in the form of electronic access and other services.

- A comprehensive review of U.S. Investment Fund responsibilities was completed in FY 2000, and recommendations to strengthen administration of investment funds are now being implemented.

- In FY 2000, Treasury's D.C. Pensions program accomplished all statutory requirements of Title XI of the Balanced Budget Act of 1997, as amended. As part of the D.C. Pensions program, Treasury undertook the following activities, which will help identify and reduce erroneous payments: (1) continued progress on design and development of a new automated pension system; (2) hired additional District benefits staff and equipped most staff with new computers; (3) began a thorough review of the District's pension laws and current business practices; (4) initiated a customer service program to learn and address annuitants' concerns; and (5) established formal procedures to work with the District to resolve pension administration policy issues.

Performance Results

Following is a report on performance against the targets established in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
2	**2 (100%)**	0	0	1 (50%)

Bureau of the Public Debt Performance Goal: *Provide quality service to investors in Treasury marketable securities*

Performance Measure: Process 100% of Government Securities Investment Program Transactions Timely

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	100%	100%	**100%**

Explanation of Measure: Federal Program Agencies contact Treasury daily to request investments and redemptions for more than 200 trust and deposit funds that participate in the Federal Government Securities Investment Program. This is a measure of the percentage of time these transactions are processed on the date requested by the agency.

Performance Measure: Process 99.9% of Government Securities Investment Program Transactions Accurately

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	99.9%	99.90%	**99.98%**

Explanation of Measure: Federal Program Agencies contact Treasury daily to request investments and redemptions for more than 200 trust and deposit funds that participate in the Federal Government Securities Investment Program. This is a measure of the percentage of time these requests are processed accurately.

GOAL: COST-EFFECTIVELY FINANCE THE GOVERNMENT'S OPERATIONS

Treasury is responsible for borrowing what is necessary to meet the Government's financing needs. The sum of all such borrowing is the gross Federal debt. The debt includes Treasury's marketable notes and bonds; foreign and domestic series certificates of indebtedness notes, and bonds; savings bonds; Government Account Series, State, and Local Government Series; and special purpose securities. A wide array of security offerings is offered to investors not only to finance Government operations, but promote thrift. Treasury's aim is to sell, service, and pay the debt in a manner that minimizes the long-term cost of those borrowings, provides sound cash management in order to ensure that adequate cash balances are available at all times, and promotes efficient capital markets.

As the Nation entered an era of Government surpluses, Treasury has begun paying down its marketable debt, primarily by refunding its regularly-maturing debt with smaller amounts of new debt. In March 2000, Treasury initiated debt "buyback" operations for the first time in seventy years. Budget surpluses, which allow the Federal Government to pay down debt held by the public will present additional challenges to Treasury's debt managers and operations staff. The surpluses beginning in FY 1998 have allowed Treasury to reduce the number of offerings for marketable debt, and in effect, reduced the Federal debt held by the public from $3.72 trillion in FY 1998 to $3.41 trillion (estimated) in FY 2000.

Key Partners in Achieving this Goal Include: The Federal Reserve Banks.

Benefits to the American Public: Government services and entitlements to the public are able to continue in times of budget deficits through Treasury's borrowing programs. Treasury securities provide a safe investment for a wide population of buyers with varying needs by use of short and long-term marketable securities, bonds and other issues. In times of budget surpluses, Treasury pays close attention to changing market conditions and initiates buybacks to reduce the interest cost of debt so taxes needed to pay interest costs can be reduced.

FY 2000 Key Accomplishments and Performance Results

Key Accomplishments

- Despite recent budget surpluses, Treasury still needed to borrow to provide funding for operations of the Federal Government and refinance maturing debt. During FY 2000, Treasury issued close to $2 trillion of securities, most of which was done to replace securities that are maturing. Treasury issues new regulations for debt buybacks and conducted 13 buyback operations, repurchasing over $21 billion of debt held by the public. Given current projections of continuing surpluses, Treasury expects to replace maturing debt with smaller amounts of new debt, conduct fewer auctions, conduct additional buyback operations, and offer a smaller range of Treasury securities to finance the Government's operations in the most cost-effective manner possible.

- During FY 2000, Treasury worked with the Office of Management and Budget to revise, finalize and publish OMB Circular A-29, which governs Federal credit policies and non-tax receivables. During the year, Treasury also provided guidance and direction on a wide range of financial policy initiatives, including the creation of government corporations and government-sponsored enterprises, trust funds, privatization issues, Federal Financing Bank issues, U.S. Postal Service issues, Treasury loans to the Presidio Trust, D.C. Pension actuarial issues, and Foreign Service retirement issues.

- The Bureau of the Public Debt (BPD) completed a major consolidation of its TreasuryDirect servicing sites, which allow investors to hold Treasury securities directly without the services of an intermediary, from 37 to three. The consolidated sites in Boston, Dallas, and Minneapolis use the latest call center technology to service the 675,000 TreasuryDirect accounts totaling $82 billion in Treasury bills, notes, and bonds. In addition, BPD has also consolidated auction operations from four to two sites.

- BPD introduced the capability of purchasing savings bonds directly through the Internet with outstanding results. More than 390,000 bonds were sold totaling $85.8 million.

- BPD's Internet banking project encourages financial institutions to offer the purchase of savings bonds as an on-line option. This year, an additional 297 banks (a 260% increase over 1999) have begun offering savings bonds through on-line banking services.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this goal:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
9	**9 (100%)**	0	0	7 (78%)

Departmental Offices Performance Goal: *Finance the Federal Government in the most cost-effective manner over the long-term*

Performance Measure: Percent of Borrowing Policies and Borrowing Requirements That Are Announced to Financial Market Participants in a Timely Manner

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	90%	100%	100%	**100%**

Explanation of Measure: Treasury provides data to financial market participants with sufficient lead-time to avoid surprises. This is a measure of the percentage of time announcements are made in a timely manner. The Office of the Under Secretary for Domestic Finance holds press conference announcements of borrowing policies, requirements and auction offerings giving a date and time for the auction to be held.

Bureau of the Public Debt Performance Goal: *Provide quality service to purchasers of savings bonds*

Performance Measure: Issue 95% of Over-the-Counter Saving Bonds in Three Weeks

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
97.99%	98.99%	99.75%	95%	**99.07%**

Explanation of Measure: Customers can purchase savings bonds directly from more than 40,000 financial institution locations throughout the country. This measures the percentage of instances where these over-the-counter bonds are issued within three weeks of purchase.

Performance Measure: Complete 90% of Customer Service Transactions in Four Weeks

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
88%	92.61%	97.28%	90%	**97.63%**

Explanation of Measure: Savings bonds have been sold for more than 50 years and the records are maintained in a variety of forms by the BPD. Individuals who need to have savings bonds reissued to reflect new ownership or to replace bonds that have been lost or stolen submit their requests to the Bureau. This measures the percentage of instances where bonds are reissued within four weeks of receipt of request for the transaction.

Bureau of the Public Debt Performance Goal: *Meet the borrowing needs of the Federal Government*

Performance Measure: Conduct 100% of Marketable Securities Auctions without Error

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
99%	100%	100%	100%	**100%**

Explanation of Measure: The BPD conducts approximately 140 auctions a year, receives more than $4.8 trillion in bids, and issues more than $2 trillion of securities to finance Government operations. This measures the level of error-free auctions.

Performance Measure: Announce Auction Results within One Hour 95% of the Time

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
90%	98%	100%	95%	**100%**

Explanation of Measure: To maintain an efficient market for Treasury securities and to minimize uncertainty in these markets, it is important that Treasury's securities auctions be completed and the results announced as quickly as possible. This measures the percentage of time the results are announced within one hour of the close of the auction.

Bureau of the Public Debt Performance Goal: *Provide quality service to investors in Treasury marketable securities*

Performance Measure: Complete 90% of *TreasuryDirect* Customer Service Transactions in Three Weeks

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
94.7%	98.9%	98.32%	90%	**96.97%**

Explanation of Measure: There are approximately 800,000 *TreasuryDirect* investors who hold Treasury bills, notes and bonds. This is a customer service measure of the percentage of time *TreasuryDirect* transactions are completed within 3 weeks of receipt.

Performance Measure: Make 100% of *TreasuryDirect* Interest and Redemption Payments Timely

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	100%	**100%**

Explanation of Measure: Timely payments bolster investor confidence and ensure that Treasury securities remain an attractive investment option. This is a customer service measure of the percentage of time *TreasuryDirect* payments are made when due.

Performance Measure: Make 99.9% of *TreasuryDirect* Interest and Redemption Payments Accurately

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	99.9%	**100%**

Explanation of Measure: Virtually all payments are calculated automatically by automated systems. This is a customer service measure of the percentage of time *TreasuryDirect* payments are accurately made.

Performance Measure: Make 100% of Commercial Book Entry Interest and Redemption Payments Timely and Accurately

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
99.9%	100%	100%	100%	**100%**

Explanation of Measure: More than $3 trillion of Treasury's outstanding debt is maintained in accounts on the Commercial Book Entry system. The operations and computer systems that comprise the commercial book-entry system annually make interest and redemption payments totaling over $2.3 trillion. This is a customer service measure of the percentage of time these payments are made both accurately and timely .

GOAL: IMPROVE THE EFFICENCY OF PRODUCTION OPERATIONS AND MAINTAIN THE INTEGRITY OF U.S. COIN AND CURRENCY

Treasury has two bureaus that manufacture all coins and paper money for the United States. The Bureau of Engraving and Printing (BEP) produces Federal Reserve currency notes at its facilities in Washington, D.C. and Ft. Worth, Texas. It also produces postage stamps and security documents for other government agencies. Production of metal coins is the job of the United States Mint, which is the world's largest manufacturer of coins, medals, and coin-based consumer products. The purpose of this goal is to increase the efficiency with which coin and currency are produced, and yet make them as safe and secure as possible against counterfeiting.

Key Partners in Achieving this Goal Include: The Federal Reserve System, the banking system, and the Securities Technology Institute at the Applied Physics Laboratory at the Johns Hopkins University.

Benefits to the American Public: Efficient production of coins, currency, postage stamps, and other government securities ensures cost-effective use of the taxpayers' money that is expended to produce these items, and ensures they are readily available in the proper amounts for commercial and postal transactions. Effective security in production protects the integrity of the U.S. economy by reducing the risk of counterfeiting, and enhances the public's confidence in the authenticity of U.S. stamps, currency, and coinage.

FY 2000 Highlights

- In FY 2000, BEP achieved favorable manufacturing cost results in both its currency and postage stamp programs. Favorable cost performance in the currency program was driven by reduced spoilage, and an improvement in ink usage due to the implementation of several employee suggestions. Costs were also below target in the postage stamp program as a result of reduced spoilage, improved productivity in stamp coil processing, and adjustments in staffing within the stamp production areas.

- The U.S. Mint maintained productivity levels in producing and shipping 27.2 billion coins for circulation in FY 2000, a 33% increase from the FY 1999 level. In comparison with FY 1999 performance in Customer Service, the Mint improved or maintained performance on 5 of 8 Customer Service Standards. This is especially significant considering growth in the demand for numismatic collectibles led to an increase of 107% in the number of products shipped to customers in FY 2000. Also in FY 2000, the Mint produced and shipped $3.2 billion in circulating coinage and processed more than $488 million in customer payments for numismatic and bullion products.

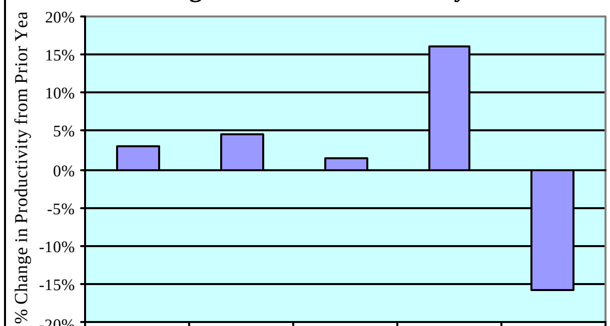
Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
28	**12 (43%0**	16 (57%)	0	16 (57%)

Treasury Objective: Increase the Productivity and Efficiency of Coin and Currency Manufacturing

Key Trends

Treasury produces and supplies the Nation's coins and currency, which are ordered and distributed by the Federal Reserve Banks (FRB). In FY 2000, the FRB order levels stabilized after record currency orders in FY 1999 to build inventories for the year 2000 (Y2K) contingencies. The U.S. Mint (Mint) has made great advances in the production process (e.g. extending dye life, automating coin transfers on the line, increasing line flexibility, etc.) and motivating its employees. The Bureau of Engraving and Printing (BEP) has expanded automated examination of currency to all denominations, increasing productivity and efficiency in the examination process.

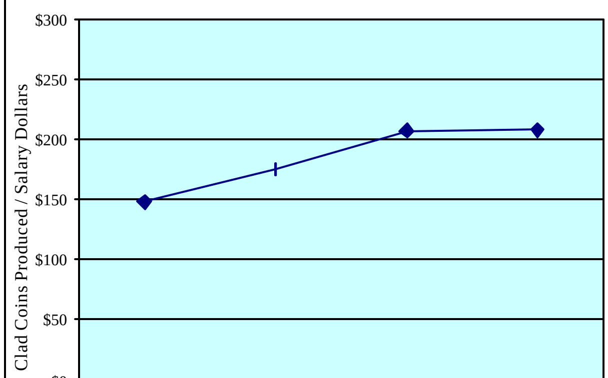
Fig. 16: BEP Productivity



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
% Change	3.0%	4.7%	1.5%	15.9%	-15.6%

During FY 2000, BEP productivity declined by nearly as much as it increased in FY 1999 (see Fig. 16). This anomaly in the otherwise favorable productivity trend of the past five years was anticipated as the currency program decreased by over 20% following the record production year in FY 1999. Also, a reduction in the postage stamp order for FY 2000 impacted the year-to-year result. Over the long term, overall Bureau productivity should continue to trend upward as a result of continued investments in state-of-the-art technology.

Fig. 17: U.S. Mint Productivity



	FY 1997	FY 1998	FY 1999	FY 2000
# Coins	$148	$175	$207	$208

During FY 2000, the Mint shipped 27.2 billion circulating coins compared to 20.4 billion in FY 1999, and productivity remained stable (see Fig. 17). This sharp increase in production is largely attributable to the 50 States Quarters program, production of the new Golden Dollar, and a sustained strong American economy. In addition to the increase in coin production, the mix of denominations produced has also changed. The production of non-penny coins has increased dramatically, as a percentage of total coins produced. In FY 2000, non-penny production equaled penny production for the first time in the Mint's more than 200-year history.

Treasury Programs

BEP designs, manufactures, and supplies U.S. currency to meet the requirements of the Federal Reserve Banks. The Bureau conducts extensive research into improving the security features of the currency as well as improving the durability and life expectancy of the notes.

The Mint produces the circulating coins necessary for the American economy to support commercial activities and maintains adequate inventory levels to meet Federal Reserve Bank requirements. It manufactures numismatic and bullion coins, medals and other coin products for sale to collectors, investors and the general public. In addition, the Mint employs innovative marketing techniques in promoting its numismatic and circulating commemorative coin programs.

FY 2000 Accomplishments and Performance Results

Key Accomplishments

- ***BEP.*** In FY 2000, the BEP achieved favorable manufacturing cost results in both its currency and postage stamp programs. Favorable cost performance in the currency program was driven by reduced spoilage, and an improvement in ink usage due to the implementation of several employee suggestions. Costs were also below target in the postage stamp program as a result of reduced spoilage, improved productivity in stamp coil processing and adjustments in staffing within the stamp production areas.

- ***The U.S. Mint.*** The Mint maintained productivity levels in producing and shipping 27.2 billion coins for circulation in FY 2000. This amount represents a 33% increase from the FY 1999 level. The Mint was not able to reach its cost goals for the circulating coinage for several reasons. The mix of denominations changed toward the higher value and higher cost denominations. Quarters and dollar coins made up 53% of clad and nickel shipments in FY 2000 compared with 40% in FY 1999. The Mint also incurred higher prices in FY 2000, compared to FY 1999, for nickel (65%) and copper (23%), the main ingredients in clad and nickel coinage. Goals are set not only for the circulating coinage but also for the numismatic and bullion operations. Since the Mint sells non-bullion products directly to the public and bullion products to authorized purchasers, customer service standards are set to ensure that the Mint strives to provide the highest quality service. The goals for Mint's customer service standards are intentionally high with the intent of raising the performance of the Mint to the highest levels possible. As such, the Mint met one customer service standard (Make bullion coins available within 6 days) and came very close to meeting a second standard (Provide an average quality rating of 95 on all customer service phone calls). In comparison with FY 1999 performance in Customer Service, the Mint improved or maintained performance on 5 of the 8 Customer Service Standards. This is especially significant considering growth in the demand for numismatic collectibles led to an increase of 107% in the number of products shipped to customers in FY 2000.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
24	**9 (38%)**	15 (63%)	0	13 (54%)

Bureau of Engraving and Printing Performance Goal: *Meet customers' delivery requirements cost effectively*

Performance Measure: Percent of Federal Reserve Orders Met as Requested

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
100%	100%	100%	100%	**100%**

Explanation of Measure: A measure of BEP's ability to meet customer order delivery schedules. 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.

Performance Measure: Percent of U.S. Postal Service Orders Met as Requested

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	100%	**100%**

Explanation of Measure: 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 Postmasters.

Performance Measure: Percent Change in Productivity from Prior Year

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
4.7%	1.5%	15.9%	-15%	-15.6%

Explanation of Measure: This is a measure of manufacturing efficiency, expressed as the percentage increase/decrease in BEP's overall productivity from one year to the next. It is measured by using Bureau of Labor Statistics methodology to calculate the increase/decrease in productivity. In this model, the productivity index measures operational output as compared to personnel resource input, to arrive at the number of units produced per workyear. The number of units produced per workyear is compared to the previous year. The change (increase/decrease) in productivity from the prior year is expressed as a percentage.

Explanation of Shortfall: 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. With stable production volume and continued investment in state-of-the-art technology, the Bureau's long-term productivity trend should be favorable.

Performance Measure: Manufacturing Costs for Currency (dollar cost per thousand notes produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$18.65	$24.34	$25.87	$24.29	**$22.65**

Explanation of Measure: 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 against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Performance Measure: Manufacturing Costs for Stamps (dollar cost per thousand stamps produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
$1.36	$1.39	$1.31	$1.59	**$1.46**

Explanation of Measure: The 100-stamp flag coil product line is the major stamp product produced by the Bureau. This measure is 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 against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line.

Performance Measure: Number of Notes Returned by Federal Reserve Due to Manufacturing Defects (per million notes produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
0.0846	0.0039	0.0219	0.0250	1,956.00

Explanation of Measure: This measure is a qualitative indicator reflecting the Bureau's ability to provide quality products to our customer. It refers to any manufacturing flaw that the Federal Reserve determines as rendering the note unsuitable for circulation.

Explanation of Shortfall: 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.

Performance Measure: Number of Stamps Returned by U.S. Postal Service Due to Manufacturing Defects (per million stamps produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
0.1920	0.0518	0.3365	0.1000	0.7153

Explanation of Measure: A qualitative indicator reflecting the Bureau's ability to provide quality products to our customer. Refers to any manufacturing flaw that the Postal Service determines to be unacceptable.

Explanation of Shortfall: The performance measure 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 48.7, which exceeds the FY 2000 performance target. The Bureau implemented processing improvements that should prevent recurrence of this defect.

U.S. Mint Performance Goal: *Customer Service Standards associated with the "Numismatic and Bullion Coinage" budget activity*

Performance Measure: Percentage of Customer Calls Returned within One Work Day

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
93%	100%	98%	100%	75%

Explanation of Measure: This measure is used to evaluate the timeliness in returning customer phone calls regarding numismatic and bullion coinage products.

Explanation of Shortfall: The Mint, in the first half of FY 2000, received a large volume of calls that were related to an occurrence of poor incoming data transmission during FY 1999 which resulted in the loss of 60,000 orders. Also, the Mint faced demand in excess of projected sales for several of the commemorative coin programs in March through July, 2000. This led to high volumes of calls within that time period. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Refunds Processed within 14 Work Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
41%	71%	88%	100%	80%

Explanation of Measure: This measure is used to evaluate the timeliness in processing customer refunds for numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by implementation of a new correspondence management system installed to provide better management of customer satisfaction from order to fulfillment. Performance in this measure has shown improvement since the implementation of the new system, increasing from 76% at mid-year to 80% by year-end. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Replacements Processed within 7 Work Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
78%	80%	29%	100%	30%

Explanation of Measure: This measure is used to evaluate the timeliness in processing replacements to customers of numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by the implementation of a new correspondence management system to provide better management of customer satisfaction from order to fulfillment. Performance in this measure has shown dramatic improvement since the implementation of the new system, increasing from 4% in the month of January, to 30% for the entire FY 2000. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Responses to Written Inquiries Mailed within Three Business Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	86%	81%	100%	90%

Explanation of Measure: This measure is used to evaluate the timeliness in returning customers' written inquiries regarding numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by the implementation of a new correspondence management system installed to provide better customer service from order to fulfillment. The labor-intensive task of responding to written customer correspondence has shown improvement due to addition of staff and the new system. Compared with a result of 81% for FY 1999, this measure has improved to 90% in FY 2000, an increase of 11%. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Bullion Coins Made Available within Six Calendar Days from the Order Date

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
100%	100%	100%	100%	**100%**

Explanation of Measure: This measure is used to evaluate the availability to customers of bullion coinage products.

Performance Measure: Percentage of Customer Service Calls Providing a 95 Percent Average Quality Rate

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	100%	100%	97%

Explanation of Measure: This measure is used as a quality indicator regarding customer service for numismatic and bullion coinage products.

Explanation of Shortfall: A 95% Average Quality Rate was attained in 97% of the audited calls. The number of customer service inquiries has increased due to the dramatic rise in the number of new products . The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Customer Service Phone Calls Answered by Live Agent within 17.5 Seconds

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	43%	90%	76%

Explanation of Measure: This measure is used to evaluate the timeliness in answering incoming phone calls for customer service.

Explanation of Shortfall: The Mint is adding staff to better meet the needs of an increased call volume. Previous staffing levels needed to be increased in response to the second quarter post-holiday call load. Problems with order fulfillment for certain products led to high volume periods, which negatively affected the Mint’s performance. Compared with the final result of 43% for FY 1999, the Mint result of 76% is an improvement of 77% in FY 2000. This improved performance was made while at the same time handling 328,453 calls in FY 2000 compared with 279,874 in the FY 1999 (an increase of 17% in the total number of calls received). The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percentage of Customer Correspondence Responded to within Three Business Days

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	60%	90%	73%

Explanation of Measure: This measure is used to evaluate the timeliness in responding to customer correspondence regarding numismatic and bullion coinage products.

Explanation of Shortfall: Performance on this measure was negatively impacted by the implementation in January 2000 of a new correspondence management system which was installed to provide better customer service from order to fulfillment. The labor-intensive task of responding to written customer correspondence has shown improvement due to addition of staff and the new system. Compared with a result of 60% for FY 1999, this measure has improved to 73% in FY 2000, an increase of 22%. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

U.S. Mint Performance Goal: *Produce coins and maintain inventories at sufficient levels to meet Federal Reserve Bank (FRB) requirement*

Performance Measure: Percentage of Time that Minimum, Seasonal-Adjusted, Inventory Levels Are Met

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	--	100%	**100%**

Explanation of Measure: This measure is used to evaluate the Mint's ability to meet the minimum inventory levels required by FRB, including inventory levels sufficient to respond rapidly to seasonal changes in levels of economic activity. Data to measure performance are obtained from the Mint and FRB coin inventory reports.

U.S. Mint Performance Goal: *By 2003, reduce the average cost of circulating coinage by 15 percent (including metal costs). The baseline year is FY 1998.*

Performance Measure: Average Cost per 1000 Units of Circulating Clad and Nickel Coinage (including metal)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$29.69	$31.27	$34.48	$39.16

Explanation of Measure: This measure is used to indicate the cost-efficiency of the Mint's production of clad and nickel circulating coinage. To compute the average cost per thousand units, total costs are divided by production, then multiplied by 1000. The Mint periodically determines average unit production costs and analyzes the related changes. As a result, the unit cost goals may also be revised. The unit cost of production data are obtained from Mint cost accounting reports, and represents manufacturing cost including metal and fabrication.

Explanation of Shortfall The Mint's cost per 1,000 units of clad and nickel coinage exceeded the goal of $34.48 by 14%. Actual results were affected by increased production of the higher value/cost denominations plus increased metals costs. In FY 2000, the Mint shipped 6.2 billion quarters, compared with 3.5 billion in FY 1999. Dollar coin operations also contributed to this result. The Susan B. Anthony Dollar was produced during the first quarter of FY 2000; and the Sacagawea Golden Dollar was produced during the second quarter. As a result, approximately 1.02 billion dollar coins were shipped in FY 2000. The Mint incurred higher prices in FY 2000, compared to FY 1999, for nickel (26%) and copper (6%), the raw materials that are the main ingredients in the clad and nickel coinage. Quarters and dollar coins made up 53% of clad and nickel shipments in FY 2000 compared with 40% in FY 1999. The increase in quarter demand alone, translates to an increase in metal costs of $79 million.

Performance Measure: Average Cost per 1000 Units of Circulating Pennies (including metal)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	$8.84	$8.35	$7.74	$8.21

Explanation of Measure: This measure is used to indicate the cost-efficiency of the Mint's circulating penny coinage production. To compute the average cost per thousand units, total costs are divided by production, then multiplied by 1000. The Mint periodically determines average unit production costs and analyzes the related changes. As a result, the unit cost goals may also be revised. The unit cost of production data are obtained from Mint cost accounting reports, and represents manufacturing cost including metal and fabrication.

Explanation of Shortfall: The Mint exceeded its goal for circulating pennies in FY 2000. The total number of pennies shipped in FY 2000 was 13.7 billion, an increase of 2.1 billion from the 11.6 billion shipped in FY 1999. While shipping a higher volume, progress continues toward the goal as shown by a reduction from $8.35 in FY 1999 to the result of $8.21 in FY 2000.

Performance Measure: Clad and Nickel Coins Produced per Circulating Coin Production Payroll Dollar

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
148	175	207	170	**208**

Explanation of Measure: This measure is used to evaluate circulating productivity by providing a return ratio from production resources. It is computed by dividing total clad and nickel coins produced by the total payroll dollars for circulation production. Clad and nickel coins are defined as all coinage, excluding pennies.

U.S. Mint Performance Goal: *Match the best in business in product quality and customer service*

Performance Measure: Percent of Commemorative Coins Shipped Within Standard

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	82%	--	98%	87%

Explanation of Measure: This measure is used to evaluate timeliness in filling customer orders. The published turnaround time standard is four weeks for commemorative programs. The Mint does a weekly order fulfillment analysis of coin orders shipped within 2, 3, 4, and 5 weeks. This analysis allows the Mint to determine how often coin orders are shipped within the published turnaround time standard.

Explanation of Shortfall: The Mint shipped commemorative coins within the standard of four weeks 87% of the time. Heavy demand for the Yellowstone two-coin sets outstripped supply. The inability to obtain additional boxes for the two-coin set from the vendor resulted in many shipments being delayed by more than four weeks. Demand in excess of sales projections for the Leif Ericson and Library of Congress coins also affected performance under this measure. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Percent of Recurring Coin Products Shipped Within Standard

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	97%	--	98%	90%

Explanation of Measure: This measure is used to evaluate timeliness in filling customer orders. The published turnaround time standard is three weeks for recurring coin products. The Mint does a weekly order fulfillment analysis of coin orders shipped within 2, 3, 4, and 5 weeks. This analysis allows the Mint to determine how often coin orders are shipped within the published turnaround time standard.

Explanation of Shortfall: The Mint shipped recurring coin products within the standard of three weeks 90% of the time. The unique qualities of the 50 States Quarters program required and expanded version of the Mint's classic proof set. To accommodate proof versions of the five state quarters, the annual proof sets required revised processes to manufacture and package this expanded set. As an example, the 1999 proof sets, shipped in early FY 2000, included nine coins (penny, nickel, dime, five quarters, and half-dollar) as compared to the traditional five-coin proof sets of prior years. Automation, new coin lenses, and new packaging inserts all presented challenges in production that caused delays in readying this product for customer shipments. The introduction of the new Golden Dollar featuring Sacagawea into circulation during FY 2000 presented additional challenges to the Mint's recurring coin programs. Year 2000 proof sets have increased to ten coins from the nine-coin 1999 set, and uncirculated sets have 20 coins instead of 18 coins. Additionally, delivery of the year 2000 silver proof sets was delayed until the President signed into law a Congressional amendment to the Silver Proof Act. This Act was necessary in order to include the Golden Dollar in the silver proof set. The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

U.S. Mint Performance Goal: *Deliver 15% profit margin on numismatic products and 2% profit margin on bullion by 2000*

Performance Measure: Numismatic/Bullion Contribution Margin for Bullion

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	1.7%	2.0%	1.9%

Explanation of Measure: This measure compares the Numismatic Contribution Margin – defined here as the excess of sales less all expenses other than General & Administrative (G&A) – for bullion, as a percentage of bullion sales. This measure is used to determine how well programs cover G&A expenses.

Explanation of Shortfall: The Mint did not reach the goal of 2% due to low demand for the bullion products. Since the revenue the Mint receives from the bullion program is basically cost plus a standard markup, the Numismatic Contribution Margin will be lower in times of low demand due to the fixed costs being spread among less revenues. Although the target of 2.0% was not met, the FY 2000 performance level (1.9%) is approximately 12% greater than the FY 1999 performance level (1.7%). The Mint is currently working to implement a project that will not only contain costs but also improve performance on customer service and order fulfillment. This project will redesign the Mint's online catalog, improve the ordering process, centralize the product-order fulfillment process, and initiate customer relationship management policies and practices.

Performance Measure: Numismatic Contribution Margin for Non-bullion

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
--	--	22%	15%	**32%**

Explanation of Measure: This measure compares the Numismatic Contribution Margin – defined here as the excess of sales less all expenses other than General & Administrative (G&A) – for non-bullion, as a percentage of non-bullion sales. This measure is used to determine how well programs cover G&A expenses.

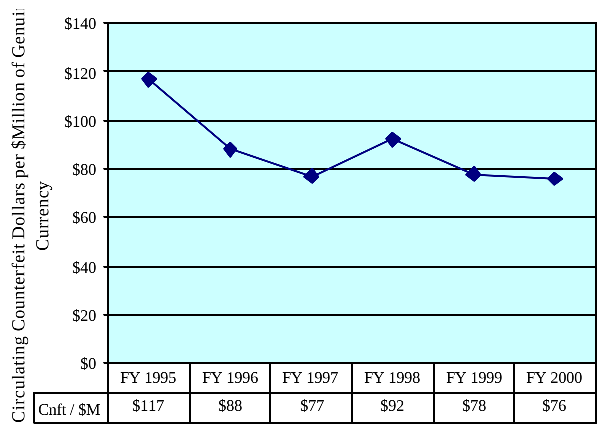
Treasury Objective: Continue to Explore Mechanisms for Maintaining the Integrity of U.S. Coin and Currency

Key Trends

Maintaining the integrity of U.S. currency is essential to the stability of the domestic and global economy. Both the relatively stable purchasing power of the U.S. dollar and its wide acceptance as a form of payment worldwide increase the importance of maintaining its security and integrity.

Continuing advances in technology available to counterfeiters require that counterfeit deterrence efforts remain as one of Treasury's priorities. A key trend indicator for this objective is the amount of counterfeit currency in circulation, which has shown an overall downward trend since FY 1995 (see Fig. 18).

Fig. 18: Counterfeit Dollars in Circulation



Treasury Programs

- The Bureau of Engraving and Printing (BEP) is continuing efforts to improve currency security to thwart technological advances available to counterfeiters. BEP works with the Advanced Counterfeit Deterrence Steering Committee (which includes the U.S. Secret Service, Treasury policy officials, and the Federal Reserve) to monitor counterfeiting activities and to develop appropriate strategies to avert counterfeiting. BEP also works with the public and private sectors to explore technologies in the rapidly developing field of counterfeit deterrence.

- The U.S. Mint safeguards the Government's stock of gold and silver bullion, coins, and coinage metals held at Fort Knox, Kentucky, and other locations.

FY 2000 Accomplishments and Performance Results

Key Accomplishments

- ***BEP*** completed the phased introduction of the first major redesign of U.S. currency notes in over 60 years with the production of redesigned $5 and $10 notes. Concurrently, the Bureau is planning and preparing for another currency redesign beginning in 2003 that will incorporate further design enhancements to complement and strengthen the existing array of design features protecting notes. In FY 2000, BEP began the acquisition of new offset printing technology that will provide some of the additional production capability needed for this 2003 redesign.

- ***The Mint*** secures more than $67 billion of the Nation's gold and silver reserves. In FY 2000, the Mint produced and shipped $3.2 billion in circulating coinage and processed more than $488 million in customer payments for numismatic and bullion products. Mint police protect these assets while safeguarding approximately 2,700 Mint employees against potential threats at six facilities.

Performance Results

Following is a report on the performance targets in Treasury's FY 2000 Performance Plan related to this objective:

Performance Summary				
Total Measures	**Targets Met**	**Targets Not Met**	**Other**	**Maximum or Improved Performance**
4	**3 (75%)**	1 (25%)	0	3 (75%)

U.S. Mint Performance Goal: *Provide a level of security commensurate with changing threats*

Performance Measure: Losses per Billion Dollars of Reserve Value

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	**Performance**
--	--	$0.0	$0.0	**$0.0**

Explanation of Measure: This measure compares the market value of annual losses with the market value of the protected monetary assets held by the Mint. The Mint's goal is to provide a level of security commensurate with changing threats to protect Mint human and physical resources and the assets of the United States. A loss has been defined as "The cumulative actual Government and physical monetary loss that has been: 1) reported, 2) investigated, and 3) verified as unrecoverable." Reserve value is custodial gold and silver reserves and operating gold and silver from inventory as stated in Mint annual financial statements.

Bureau of Engraving and Printing Performance Goal: *Produce consistently high-quality counterfeit-deterrent notes.*

Performance Measure: Number of Notes Returned by Federal Reserve Because of Counterfeit Deterrence Defects (per million notes produced)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
0.5656	0.0049	0.0453	0.05	4,619.00

Explanation of Measure: A qualitative indicator reflecting the Bureau's ability to provide effective counterfeit deterrent products. This measure focuses on manufacturing flaws related to counterfeit deterrence features of new design currency. Counterfeit deterrence defects are of the following types:

- Defects of covert features, (machine-readable) which prevents authentication by commercial automated cash handling equipment.
- Defects of overt features, (visible to the human eye) which may be confused by the user as a counterfeit note rather than an imperfect genuine U.S. currency note.

Explanation of Shortfall: 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.

Bureau of Engraving and Printing 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*

Performance Measure: Currency Shipment Discrepancies (per million notes)

FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
0.01135	0.0192	0.0092	0.01	**0.0012**

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

Performance Measure: Postage Stamp Shipment Discrepancies (per million stamps)				
FY 1997 Performance	FY 1998 Performance	FY 1999 Performance	FY 2000	
			Target	Performance
25.8	12.8	14.0	20.0	**8.0**

Explanation of Measure: A qualitative indicator reflecting the Bureau's ability to provide effective product security and accountability. Because stamp products are packaged and sold to the Postal Service, in either coils, books, or sheets of varying subject sizes (e.g. 100 stamps per coil, 20 stamps per book, etc.), a discrepancy of one stamp coil could translate to a reportable discrepancy of 100 stamps. (A 100 stamp coil equals 100 individual stamps.)