



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

July 21, 2016

OIG-CA-16-032

MEMORANDUM FOR LEONARD R. OLIJAR, DIRECTOR  
BUREAU OF ENGRAVING AND PRINTING

FROM: Kieu T. Rubb /s/  
Audit Director

SUBJECT: Termination Memorandum – Audit of BEP’s Production  
Process for the NexGen \$100 Notes

In 2010, we initiated an audit of the Bureau of Engraving and Printing’s (BEP) production of the NexGen \$100 note in response to significant problems encountered in the production process, and at the request of the Department of the Treasury’s Assistant Secretary for Management, Chief Financial Officer and Chief Performance Officer. Our audit objectives were to assess (1) the planning and implementation of the production process and the events that led to the problems in the production process; (2) the physical security over the notes that have been produced; (3) BEP’s plans for the disposition of those notes; and (4) BEP’s actions, taken and planned, to address the production problems.

We issued two audit reports in 2011 and 2012 addressing the most serious deficiencies in the BEP’s NexGen \$100 note production process and storage of the completed notes. Specifically, these reports noted (1) concerns with physical security over the finished notes and work-in-process sheets; (2) issues with project management, including deficiencies related to pre-production testing; and (3) a lack of comprehensive cost-benefit analysis covering options for the disposition of notes printed but not accepted by the Board of Governors of the Federal Reserve System.<sup>1</sup> Accordingly, we made six recommendations to address these deficiencies.

We identified other matters regarding access and physical controls over NexGen \$100 note storage areas at one facility being noncompliant with BEP policy and the reconciliation process for currency loads needing improvements. We discussed these matters with BEP officials who told us that BEP was evaluating options to

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<sup>1</sup> *Bill Manufacturing: Improved Security Over the NexGen \$100 Notes Is Necessary* (OIG-11-068; May 13, 2011) and *Bill Manufacturing: Improved Planning and Production Oversight Over NexGen \$100 Note Is Critical* (OIG-12-038; Jan. 24, 2012)

repair or replace the Eastern Currency Facility and was testing a barcoding system to track production sheets for better accountability.

Given the potential changes noted above, we do not plan to issue a third report on the other matters identified, and accordingly, are terminating this audit. However, we plan to assess the status of these other matters as part of our corrective action verification of BEP's implementation of the recommendations to address deficiencies reported in 2011 and 2012.

We appreciate the courtesies and assistance provided by your staff. If you have any questions, please contact me at (202) 927-5904.

cc: Daniel Hogan, Audit Liaison