

GAO Highlights

Highlights of [GAO-14-110](#), a report to congressional requesters

Why GAO Did This Study

Efficiently managing the circulating coin inventory helps ensure that enough coins are available to meet public demand while avoiding unnecessary production and storage costs. The Federal Reserve fulfills the coin demand of the nation's depository institutions (e.g., commercial banks and credit unions) by managing Reserve Bank inventory and ordering new coins from the U.S. Mint. GAO was asked to review this approach. This report examines (1) how the Federal Reserve manages the circulating coin inventory and the related costs, (2) the extent to which the Federal Reserve follows key practices in managing the circulating coin inventory, (3) actions taken to respond to potential changes in demand for coins and notes, and (4) actions taken with regard to the circulation of the \$1 coin. GAO interviewed federal and foreign officials, experts, and industry representatives; reviewed documents and data on coin inventories; and compared the Federal Reserve's coin inventory management practices to key practices in supply chain management.

What GAO Recommends

Among other things, the Federal Reserve should (1) develop a process to assess factors influencing coin operations costs and identify practices that could lead to cost-savings and (2) establish additional performance goals and metrics relevant to coin inventory management. The Federal Reserve generally agreed with the report's recommendations.

View [GAO-14-110](#). For more information, contact Lorelei St. James at (202) 512-2834 or stjamesl@gao.gov.

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U.S. CURRENCY

Coin Inventory Management Needs Better Performance Information

What GAO Found

In 2009, the Federal Reserve centralized coin management across the 12 Reserve Banks, established national inventory targets to track and measure the coin inventory, and in 2011 established a contract with armored carriers that store Reserve Bank coins in their facilities. However, according to Federal Reserve data, from 2008 to 2012, total annual Reserve Bank coin management costs increased by 69 percent and at individual Reserve Banks increased at rates ranging from 36 percent to 116 percent. The Federal Reserve's current strategic plan calls for using financial resources efficiently and effectively and monitoring costs to improve cost-effectiveness. However, the agency does not monitor coin management costs by each Reserve Bank—instead focusing on combined national coin and note costs—thus missing potential opportunities to improve the cost-effectiveness of coin-related operations across Reserve Banks.

In managing the circulating coin inventory, the Federal Reserve followed two of five key practices GAO identified and partially followed three. For example, the Federal Reserve follows the key practice of collaboration because it has established multiple mechanisms for sharing information related to coin inventory management with partner entities. The Federal Reserve has developed some performance metrics in the form of upper and lower national coin inventory targets. However, it has not developed other goals or metrics related to coin supply-chain management. One key practice is for agencies to identify goals, establish performance metrics, and measure progress toward those goals. Establishing goals and metrics, such as those related to coin management costs, could aid the Federal Reserve in using information and resources to identify additional efficiencies.

To collect information on potential changes in the demand for currency (coins and notes), the Federal Reserve has conducted studies and outreach, including developing a long-term strategic framework beginning in 2010 to consider changes in demand and implications for operations. While the magnitude of potential changes in the demand for currency is inherently uncertain, the Federal Reserve anticipates a gradual decline in currency use, and officials reported such changes could likely be accommodated by the current system. While Federal Reserve studies and data indicate electronic payments have increased over time, currency usage has remained strong. For example, from 2009 to 2012, the value of currency in circulation rose about 26 percent.

Starting in 2007, the Federal Reserve took actions to overcome barriers to circulation of the \$1 coin, such as holding regular meetings with depository institution representatives to gather feedback about demand for \$1 coins. The Federal Reserve manages the \$1 coin inventory as it does for all other coin denominations—overseeing distribution and ensuring sufficient supply is available to meet demand nationwide. Reserve Banks currently hold approximately \$1.4 billion in \$1 coins, an amount that, according to the Federal Reserve, is sufficient to meet demand for more than 40 years. Reserve Bank officials, depository institution representatives, and coin terminal operators stated that \$1 coins are readily available to the public throughout the country, but there is very low public demand for these coins.