PS8000.01A UNICOR CORPORATE POLICY & PROCEDURES

U.S. Department of Justice
Federal Bureau of Prisons

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4. ACTION. File this Change Notice in front of PS 8000.01, UNICOR Corporate Policies and Procedures.

/s/
Kathleen M. Hawk
Director

U.S. Department of Justice
Federal Bureau of Prisons

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U.S. Department of Justice
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Federal Bureau of Prisons

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Change Notice CN-12 (10/07/82)
Change Notice CN-13 (01/07/83)
Change Notice CN-14 (05/16/83)
Change Notice CN-17 (02/17/84)

Remove	Insert
Change Notice CN-18 (03/06/84)	
Change Notice CN-19 (03/13/84)	
Change Notice CN-20 (04/03/84)	
Change Notice CN-21 (05/03/84)	
Change Notice CN-22 (05/29/84)	
Change Notice CN-23 (06/04/84)	
Change Notice CN-27 (02/28/86)	
Change Notice CN-28 (06/25/86)	
Change Notice CN-29 (09/25/86)	
Change Notice CN-30 (04/07/87)	
Change Notice CN-33 (03/02/90)	
Change Notice CN-34 (07/01/91)	
Change Notice CN-35 (07/02/92)	
Change Notice CN-37 (10/17/91)	
Change Notice CN-38 (06/30/92)	
Change Notice CN-39 (01/31/94)	
Change Notice CN-41 (10/11/94)	
Change Notice CN-44 (03/08/95)	

4. ACTION. File this Change Notice in front of PS 8000.01, UNICOR Policies and Procedures Manual.

Kathleen M. Hawk
Director

U.S. Department of Justice
Federal Bureau of Prisons

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Director

U.S. Department of Justice
Federal Bureau of Prisons

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b. Instructions for processing Progress Payments, previously issued by an Operations Memorandum, have been incorporated into this Change Notice.

c. UNICOR Central Office is currently using a third party draft system to make payments to certain individuals and entities. This Change Notice outlines procedures for utilizing this system.

d. A correction has been made to reflect the current capitalization rate for Machinery and Equipment of $5,000.

e. Procedures have been added for developing, implementing and monitoring a plan to achieve 95% accuracy in raw materials and finished goods inventories.

f. The "per line item amount" that may be adjusted for raw materials and work in process vendor billings has been increased from $25 to $100.

g. Procedures for estimating the monthly FPI Forms 2, 3, and 4 are incorporated into the Accounting Manual.

4. TABLE OF CHANGES

Remove	Insert
P.S. 8000.01, Chapter 8500 (CN-31) Section 8504, pages 13-15 and pages 18 & 19	P.S. 8000.01, Chapter 8500 (CN-40) Section 8504, pages 13-15 and pages 18 & 19
P.S. 8000.01, Chapter 8500 (CN-25) Section 8505, pages i-ii	P.S. 8000.01, Chapter 8500 (CN-40) Section 8505, pages i-ii
	P.S. 8000.01, Chapter 8500 (CN-40) Chapter 8505A, pages 1-6
P.S. 8000.01, Chapter 8500 (CN-31) Section 8507, pages iii-iv	P.S. 8000.01, Chapter 8500 (CN-40) Section 8507, pages iii-iv
	P.S. 8000.01, Chapter 8500 (CN-40) Section 8507A, pages 1-13
P.S. 8000.01, Chapter 8500 (CN-31) Section 8508, pages 1-1, 2-5,2-6,2-11 and 2-12	P.S. 8000.01, Chapter 8500 (CN-40) Section 8508, pages 1-1, 2-5, 2-6, 2-6a, 2-11, 2-12 and 2-12a
P.S. 8000.01, Chapter 8500 (CN-31)	P.S. 8000.01, Chapter 8500 (CN-40)

Section 8509, pages i-ii

Remove	Insert
	P.S. 8000.01, Chapter 8500 (CN-40) Section 8509, pages 4-14 thru 4-17
P.S. 8000.01, Chapter 8500 (CN-31) Section 8514, pages 17 & 18	P.S. 8000.01, Chapter 8500 (CN-40) Section 8514, pages 17 & 18
P.S. 8000.01, Chapter 8500 (CN-26) Section 8515, pages i-ii	P.S. 8000.01, Chapter 8500 (CN-40) Section 8515, pages i-ii and 1-84 thru 1-86

4. ACTION. File this Change Notice in front of the UNICOR Accounting Manual.

\s\
Kathleen M. Hawk
Director

U.S. Department of Justice
Federal Bureau of Prisons

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voucher(s) and check endorsement(s), and depositing Treasury checks, totaling $1,000 or over, at a Federal Reserve Bank (FRB) or branch, rather than a commercial depository. In the UNICOR Accounting Manual, P.S. 8000.1:

REMOVE	INSERT
P.S. 8000.1, Chapter 8500 CN-25, Page 8505-1, 8505-2 May 21, 1985	P.S. 8000.1, Chapter 8500 CN-36, Page 8505-1, 8505-2
P.S. 8000.1, Chapter 8500 CN-25, Page 8505-4, 8505-5 May 21, 1985	P.S. 8000.1, Chapter 8500 CN-36, Page 8505-4, 8505-5

J. Michael Quinlan
Director

U.S. Department of Justice
Federal Bureau of Prisons

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J. Michael Quinlan
Director

U.S. Department of Justice
Federal Bureau of Prisons

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3. Account 21500, Vouchered Receipts, was added to meet the requirements of the SIS Purchasing and Accounts Payable modules. The Payable module uses this account to age payables and to stage them for payment.

4. All Deferred & Prepaid accounts (the 17--- account series) have been suspended from further use because of changes in accounting procedures.

5. The account series (cost centers) 66---, Support Division Expenses, 67---, Product Division Expenses, and 68---, Corporate Division Expenses, were added shortly after the original release of the FY 87 Chart of Accounts in order to maintain detail records for these expenses.

6. The General Subsidiary Accounts 121, TSP Basic Government Contributions, 122, TSP Matching Government Contributions, and 123, TSP Fiduciary Insurance, were added to maintain detail records of these Thrift Savings Plan (TSP) expenses which originated in the new FERS retirement system.

B. Section 8502, Journal Entries.

1. Journal Entries 8C and 8D were added for use with the Account 21500, Vouchered Receipts.

2. Journal Entries 15 and 21D were eliminated. These entries were used for Deferred and Prepaid Expenses, Start-Up Costs, and Prototype Costs accounts which are no longer in use.

C. Section 8504, Invoicing.

1. The method of assigning invoice numbers in paragraph 101 and 102 was revised to include the location Disbursing Office Symbol as part of the invoice number to help customers identify billing locations. This change was made in accordance with Operations Memorandum 157-88(8500), dated April 30, 1989.

* Paragraph 102 #3 was added to allow the AW (I&E)/Superintendent of Industries to give the Warehouse Manager or others the written delegated authority to maintain and be accountable for GBL's.

3. OPAC (On-line Payment And Collection system) procedures have replaced the SIBAC procedures previously included in this chapter. The Department of Treasury has required that all agencies convert to OPAC from SIBAC, which is to be eliminated as a billing procedure. UNICOR and most of our customers have already switched to OPAC.

4. Procedures for a new automated Form 5 billing procedure (inter-industries) which is expected to be implemented in FY 89 - 90 is included in place of the manual procedure. Field locations will continue to use the current manual procedures until the automated version is implemented.

D. Section 8507, Disbursements.

1. OPAC procedures have been inserted in place of the SIBAC procedures (see C.2. above).

2. New requirements have been added for documenting voucher numbers for an automated (computer) Voucher Register in which the voucher numbers can not be resequenced each year to start at # 1.

3. Computer generated Voucher/Disbursement Registers are authorized by paragraph 130, as long as, all the required information and data are included on the form and required procedures (control and etc.) continue to be followed.

4. * Updates were made throughout the section to incorporate the changes to the Prompt Payment Act and the Department of Treasury's GOALS system.

5. * Paragraph 116 was completely revised to include the Department of Justice automated procedures for reporting moving expenses through their Human Resource Management Information System (HRMIS). Procedures and Illustrations for the obsolete Form DOJ-412 were removed.

E. Section 8508, Fixed Assets.

1. The depreciation rate schedule for straight-line depreciation in paragraph 402 has been revised to bring it into current operating procedures as delineated in Operations Memorandum, 43-88(8500), May 4, 1988.

2. * Paragraph 207 was revised to include accountability for all items which meet the criterion established in Section 8505 paragraph 214. This change was necessary because of the changes made to the Depreciation Schedule.

3. Procedures for the Deferred & Prepaid Expense accounts have been removed, since the use of these accounts has been suspended due to changes in accounting procedures. Guidance for the treatment of these costs has been added to clarify which costs should be expensed and which should be capitalized, consistent with Operations Memorandum 43-88(8500), May 4, 1988.

F. Section 8509, Inventory Control.

1. The Inventory Plan in paragraph 402 of this section was greatly expanded to provide detailed instructions for the preparation, execution, and reporting of physical counts of inventories. The requirements of the Inventory Plan was published in the Operations Memorandum 44-88(8500), April 30, 1988.

2. * Paragraph 303.4 (page 8509.3-9) was revised to allow a "designated employee" to enter the dollar value for items requisitioned. APECS prints dollar amounts for items as they are requisitioned in the warehouse. Under the earlier manual system with stock cards, these amounts were not readily available and were maintained by the Business Office only.

G. Section 8513, Travel and Transportation.

Revisions to paragraphs 100 and 105 have been made because of recent government initiatives concerning travel. These paragraphs now require locations to use current authorized procedures, such as, the use of credit cards, travel agencies, GTRs, and etc. as dictated by policy.

H. Section 8514, Vouchering.

* Paragraph 106 (page 8514-9) was revised to include the new Federal Travel Regulation allowing staff on official over-night travel one official call home per day.

Many of the flow diagrams in these sections are copies of the ones found in the previous revision of the Accounting Manual and were included only to expedite the release of this revision. New originals will be made and distributed as required.

2. TABLE OF CHANGES.

Remove	Insert
All of Section 8501 and the APPENDIX to 8501	New Section 8501 and the new APPENDIX to 8501
All of Section 8502	New Section 8502
All of Section 8504	New Section 8504
All of Section 8507	New Section 8507
All of Section 8508	New Section 8508
All of Section 8509	New Section 8509
All of Section 8513	New Section 8513
All of Section 8514	New Section 8514

3. File this Change Notice in front of the UNICOR Accounting Manual.

J. Michael Quinlan
Director

U.S. Department of Justice
Federal Bureau of Prisons

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U.S. Department of Justice
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Pages 8503-5 to 12
Pages 8504-i, ii
Pages 8504-1, 2
Pages 8504-4a, 5

Pages 8503-5 to 13
Pages 8504-i, ii
Pages 8504-1, 2
Pages 8504-4a, 5

Pages 8504-6 to 19	Pages 8504-6 to 25
Pages 8505-i, ii	Pages 8505-i, ii
Pages 8505-1, 2	Pages 8505-1, 2
Pages 8505-4 to 13	Pages 8505-4 to 14
Pages 8507-3, 4	Pages 8507-3, 4
Pages 8507-4a, 4b	Pages 8507-4a, 4b

4. ACTION. The contents of this Change Notice are effective when received. File this Change Notice in front of the UNICOR Corporate Policies and Procedures Manual.

NORMAN A. CARLSON
Commissioner
Federal Prison Industries, Inc.

U.S. Department of Justice
Federal Bureau of Prisons

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5. ACTION. The contents of this change notice are effective May 1, 1984.

NORMAN A. CARLSON
Director

U.S. Department of Justice
Federal Bureau of Prisons

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U.S. Department of Justice
Federal Bureau of Prisons

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U.S. Department of Justice
Federal Bureau of Prisons

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(2) The Metals and the Wood/Plastics Divisions have been merged as the Metal, Wood & Plastics Division, including brushes.

3. ACTION:

REMOVE	INSERT
Pages 8020-1/8020-4	Pages 8020-1/8020-7

4. THIS CHANGE NOTICE IS TO BE FILED IN THE FRONT OF THE UNICOR CORPORATE POLICIES ND PROCEDURES MANUAL.

NORMAN A. CARLSON
Director

U.S. Department of Justice
Federal Bureau of Prisons

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U.S. Department of Justice
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SUMMARY OF CHANGES

The following is a summary of the primary changes madde to the UNICOR Cost Accounting Manual.

A. All references to Chart of Account titles and numbers and Journal Entry numbers that changed as a result of the revision to the UNICOR Accounting Manual have been corrected.

B. Part 4, Accumulation of Material Costs: Changed to reflect changes in the accounting for abnormal production charges from Account 58, Abnormal Costs to Account 56, Cost of Sales.

C. Part 4, Accumulation of Material Costs: Instructions on accounting for external production work have been added.

D. Part 4, accumulation of Material Costs: Charges for the cost of prototype production have been changed from Account 25.5, Machinery and Equipment Prototypes to Account 40.2, Deferred and Prepaid Expense, Prototype Products.

E. Part 6, Accumulation and Control of Overhead Costs: Definesdifferences between operational and non-operational overhead and revises the instructions for the application of overheade rates.

F. Part 7, Manufacturing Cost Systems, General: Includes instructions on the use of Account 56.4, Inventory Valuation Write-Offs which is used to insure finished goods inventories are valued at no more than 95 percent of the expected selling price.

G. Part II, Cost Reporting: Includes instructions and samples of revised FPI Form 4, Summary of Expense and FPI Form 10, Monthly Completed Job Summary.

U.S. Department of Justice
Federal Bureau of Prisons

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the series, each of which has been designated as a "(manual)".

Section 8150	IEIS (Manual)
Section 8340	Quality Assurance (Manual)
Chapter 8500	Accounting (Manual) - - formerly "Volume II"

The content in each of these cases is of such a size and/or the subject is of such a nature as to warrant a separate binder to facilitate usage and reference. (Binders are being supplied by the Central office.)

5. DIRECTIVES AFFECTED. The following Program Statements are here by incorporated as sections of the new "UNICOR Corporate Policies and Procedures" manual (8000.1), while concurrently being canceled as separate Program Statements in conformance with the Federal Prison Issuance System.

(1) 8065.1, dated May 20, 1980, Corporate Steering Commitee, now Chapter 8000, Section 8040.

(2) 8515.2, dated June 9, 1980, Audit Program, UNICOR, now Chapter 8000, Section 8070.

(3) 8130.1, dated June 19, 1978, Industrial Relations Program, now Chapter 8100, Section 8120.

(4) 8142.1, dated June 14, 1976, Production Training Units, now Chapter 8100, Section 8141.

(5) 8260.1, dated June 17, 1980, Pricing Procedures, UNICOR, now Chapter 8200, Section 8270.

(6) 8340.2, dated July 9, 1980, Quality Assurance Program, UNICOR, now Chapter 8300, Section 8340.

(7) 8320.1, dated August 8, 1977, FPI Product Design, now Chapter 8300, Section 8370.

(8) 8010.1, dated October 17, 1977, Federal Prison Industries, Inc., Organization, now Chapter 8000, Section 8020.

(9) 8045.1, dated July 27, 1976, FPI Staff Development, now Chapter 8000, Section 8050.

(10) 1060.2, dated May 10, 1978, FPI Corporate Planning, now Chapter 8000, Section 8030.

(11) 8135.1, dated September 9, 1975, IEIS, now Chapter 8100, Secti/on 8150.

Program Statements not listed above nor in the current "Directives Index to Current FPS Program Statement" are hereby rescined and should be discarded.

6. Changes. Future changes to any policies or procedures in the 8000. series (UNICOR) will be accomplished through the Federal Prison System Change Notice (CN) system and coordinated through Plans & Policy Divison.

NORMAN A. CARLSON
Commissioner, Federal Prison Industries, Inc.

Section 8500
FEDERAL PRISON INDUSTRIES ACCOUNTING

Implementing Instructions

All real accounts shall be converted as of October 1, 1983. Most real accounts have not been changed, therefore, there will be little conversion required. It is important that clarification to nominal and sub-accounts be accomplished in accordance with the attached charts as there are several additions and changes. The attached conversion sheets are forwarded to insure a standard and consistent implementation of the new Chart of Accounts and Journal Entries and provide a ready reference to staff of changes that will serve as an aid until the new system is completely understood. The conversion tables include:

- new real account numbers and titles to old real account numbers and titles. None of the old accounts have changed but a few have been added (Attachment 1).

- new nominal account numbers and titles (Attachment 2). Also included is a conversion table of old account numbers to new account numbers since several of the old accounts have been changed (Attachment 3). This chart shall be used in completing "Same Period Last Year" column of the FPI Form 3.

- new sub-account numbers and titles and old sub-account numbers and titles (Attachment 4). Also included is a conversion table of old account numbers to new account numbers since several of the old accounts have been changed (Attachment 5). This chart shall be used in completing "Same Period Last Year" column on the FPI Form 4.

- new Journal entry numbers to old journal entry numbers including the source of the entry and its purpose (Attachment 6). Also included is a conversion table of old journal entry numbers to new journal entry numbers (Attachment 7).

New/revised forms resulting from this change are being printed and are scheduled for distribution in early October. The following forms are affected by this manual revision:

FPI Form 2 - Comparative Balance Sheet - now only contains the balance sheet and will be used effective October 1983 reporting.

FPI Form 3 - Condensed Statement of Operations - new form used to report results of operations and will be used effective October 1983. Detailed instructions on the use of the "Same Period Last Year" columns will be issued in September 1983.

FPI Form 4 - Summary of Expense - (revised) used to report expenses for various nominal accounts and will be used effective October 1983.

FPI Form 7 - Shipping Order and Cost of Sales Register - (revised) used to record shipments of goods and the applicable cost of sales. Will be used effective October 1983.

FPI Form 10 - Monthly Completed Job Order Report - new form used to record the summary of all costs for jobs completed during a month. Will be used effective October 1983.

FPI Form 81 - Vocational Training revises form for request, budget and reporting of vocational training programs and will be used effective October 1983.

FPI Form 97 - Washington Control Register - a new register used to record all transactions between UNICOR locations. Will be used effective October 1983.

FPI Form 1034 - Control Voucher for Purchases and Services Other than Personal - new form for use in voucher preparation will be used upon the soon depletion of current supply of SF-1034's or October 1984.

CONVERSION SHEET
New Real Account
To
Old Read Account

Debit Accounts

New Account Number	New Account Title	Old Account Number	Old Account Title
03	Cash	None	
.31	Operating	03.31	Cash-Operating
.39	Special Deposits	03.39	Special Deposits
10	Accounts Receivable	10	Accounts Receivable
.1	Government	.1	Accounts Receivable
.2	Travel Advances	.2	Travel Allowances
.3	Public	None	
15	Finished Goods	15	Finished Goods
.1	Finished Goods Manufactured	.1	Finished Goods Manufactured
.2	Outside Purchases		Outside Purchases
18	Work in Process	18	Work in Process
.1	Material in Process	.1	Material in Process
.2	Labor in Process	.2	Labor in Process
.3	O/H in Process	.3	O/H in Process
20	Raw Materials & Supplies	20	Raw Materials & Supplies
.1	Raw Materials & Supplies	.1	Raw Materials - Supplies
.2	Defective Material	.2	Defective Material
.3	Scrap	.3	Scrap
.4	Shop Stock	.4	Shop Stock
		.5	Bailment Material
21	Allowance for Obsolete Inventory	None	
.1	Raw Materials & Supplies	None	
.2	Finished Goods	None	
25	Machinery & Equipment	25	Machinery & Equipment
.1	Production	.1	M & E Production
.2	Other	.2	M & E V.T.
		.3	M & E Divisional
		.4	M & E Administrative
26	Allowance for Obsolete Machinery & Equipment	None	
30	Buildings & Improvements	30	Buildings & Improvements
		.1	B & I Industrial
.1	Not Used	.2	B & I Vocational

.2 Not Used

35 Construction

35 Construction

New Account Number	New Account Title	Old Account Number	Old Account Title
40	Deferred and Prepaid Expense	40	Deferred and Prepaid Expense
.1	Start-up Costs		
.2	Prototype Products		
.3	Other		
45	Not Used	45	Other Assets
97	Washington Control	97	Washington Control
.1	Prior Years Balance	None	
.2	Cash Transfers	None	
.3	Tangible Assets Transfers	None	
.4	Transfer Billings	None	

CREDIT ACCOUNTS

70	Accounts Payable	70	Accounts Payable
.1	Vouchers in Transit	.1	Vouchers
.3	Unvouchered Receipts	.3	Vouchers in Transit
.4	Transportation Expense Payable	.4	Reserve for Transportation
.5	Accounts Payable Deferred	.5	Accounts Payable Deferred
.6	Contingent Annual Leave	.6	Contingent Annual Leave
.7	Accrued Expenses	.7	Accrued Accounts Payable
.8	Accident compensation Payable	.8	Reserved for Accident Compensation
.11	Special Deposits	.11	Special Deposits
.12	Not Used	.12	Liability for Bailment Material
80	Accumulated Depreciation M&E	80	Reserve for Depreciation M&E
.1	Production	.1	M & E Production
.2	Other	.2	M & E V.T.
.3	Not Used	.3	M & E Divisional
.4	Not Used	.4	M & E Administrative
81	Accumulated Depreciation Buildings and Improvements	81	Reserve for Depreciation Buildings and Improvements
.1	Production	.1	B & I Industrial
.2	Other	.2	B & I V.T.
85	Not Used	85	Reserve for Contingent Liability
90	Initial Capital	90	Initial Capital
91	Donated Property	None	

New Account Number	New Account Title	Old Account Number	Old Account Title
95	Results of Operations	95	Earned Surplus
.1	Cumulative Results of Operations	None	
.2	Cumulative Results of Operations (Current Period)	None	
.3	Dividends Paid U.S. Treasury	None	
None		96	Property Transferred Without Exchange of Funds
97	Washington Control	97	Washington Control
.1	Prior Year's Balance	None	
.2	Cash Transfers	None	
.3	Tangible Assets Transfers	None	
.4	Transfer Billings	None	

CONVERSION SHEET
New Nominal Accounts
To
Old Nominal Accounts
Debit Accounts

* - New number different from old number

New Account Number	New Account Title
54	Sales Return for Rework
.1	Government Agencies
.2	UNICOR
55	Returns and Allowance
.1	Government Agencies
.2	UNICOR
56	Cost of Sales
.1	Government Agencies
.2	UNICOR
.3	Abnormal Costs
.4	Inventory Valuation Write-Off
.5	Inventory Overages/Shortages
*57	Production Expense
*60	Maintenance Expense
*61	QA Expense
*62	Warehouse Expense
*63	Business Office Expense
*64	Selling Expense
*65	Other Expense
*66	Pre-Industrial Training
71	Support Division Expense
.I	Information Systems Division
72	Production Division Expense
.D	Data/Graphics Division
.E	Electronics Division
.M	Metal, Wood and Plastics Div.
.T	Textile & Leather Products
73	Corporate Administrative Expense Control
75	Vocational Training Exp. Control
76	Voc. Training Experimental Control
77	Inmate Performance Pay
78	Extraordinary Losses
79	Discontinue Operations

Old Account Number	Old Account Title
none	
55	Sales Returns and Allowances
.1	Cost Sales
.2	Transfer Sales
56	Cost of Sales
.1	Cash Sales
.2	Transfer Sales
57	Manufacturing Expense
57	" "
57	" "
57	" "
57	" "
60	Sales Expense
63	Other Expense
66	Pre-Industrial Training
62	General Admin. Expense
	" " "
64	Div. Operating Expense
62	General Admin. Expense Control
61	Vocational Training
76	Vocational Training Experimental
67	Inmate Meritorious Compensation
63	Other Expense
63	Other Expense

CREDIT ACCOUNTS

New Account Number	Old Account Title	Old Account Number	Old Account Title
50	Sales	50	Sales
.1	Government Agencies	.1	Cash
.2	UNICOR	.2	Transfer Sales
53	Other Income	53	Other Income
.1	Miscellaneous Sales	.1	Miscellaneous Sales
.2	Cost of Miscellaneous Sales	.2	Cost of Miscellaneous Sales
.3	Other Income	.3	Other Income
.4	Recapture of Donated Property Expense	-	None
58	Overhead Expense Applies	-	None
74	Profit or Loss	65	Profit and Loss

CONVERSION SHEET

Old Nominal Account
To
New Nominal Accounts

DEBIT ACCOUNTS

Old Account Number	New Account Number
55	55
.1	.1
.2	.2
56	
.1	.1
.2	.2
57	57, 60, 61, 62, 63
58	
.1	56.3
.2	56.4
.3	None
60	64
61	75
62	73
63	65
64	66
66	77
67	xx.03
68	xx.08
69	76
76	

CREDIT ACCOUNTS

Old Account Number	New Account Number
50	50
.1	.1
.1.1	xx.30
.2	.2
53	53
.1	.1
.2	.2
.3	.3
.4	xx.14.3
.5	None
54	None
65	74

xx = Overhead Account

CONVERSION SHEET
NEW SUB-ACCOUNTS
To
OLD SUB-ACCOUNTS

New Account Number	New Accounting Title	Old Account Number	Old Accounting Title
* .01	Salaries, Civilian	.01	Salaries, Civilian
.1	Permanent Positions	.1	Permanent Positions
.2	Other than Permanent	.3	Other than Permanent
.2a	Temporary Employment	.3a	Temporary Employment
.2b	Part time Employment	.3b	Part time Employment
.2c	Intermittent Employment	.3c	Intermittent Employment
.3	Other Personnel Compensation	.5	Other Personnel Compensation
.4	Contingent Annual Leave	.8	Special Personnel Services
.02	Personnel Benefits	.38	Personnel Benefits
.03	Incentive Awards	*	
.1	Civilian	-	Not Used
.2	Inmate	-	Not Used
* .04	Contract Services	.29	Contract Service
.1	Specialists	.1	Individual
.2	Other	.2	Other
.05	Labor Indirect Inmate	.02	Labor Indirect Inmate
.1	Regular	-	Not Used
.2	Overtime	-	Not Used
.3	Other	-	Not Used
.06	Reimbursable Salaries	-	Not Used
.07	Employee Development	.30	Employee Development
.1	Civilian	.1	Civilian
.2	Inmate	.2	Inmate
.3	Inmate Scholarships	.3	Inmate Scholarships
.08	Accident Compensation	.20	Accident Compensation
.1	Civilian	-	Not Used
.2	Inmate	-	Not Used
.09	Special Clothing	.22	Special Clothing
.10	Special Meals	.28	Special Meals
.11	Experimental Expense	.24	Experimental
.12	Grading & Testing	.36	Grading and Testing
.13	Inventory Overage Shortage	-	Not Used
* .14	Damaged/Obsolete Inventory	.1	Loss and Damaged Goods
.15	Indirect Materials	.12	Factory Supplies

* Nominal Account 8 had been used for Incentive Awards.

New Account Number	New Accounting Title	Old Account Number	Old Accounting Title
16	Factory Supplies	.12	Factory Supplies
17	Machinery Repairs	.15	Machinery Repairs
18	Building Repairs	.14	Building Repairs
19	Minor Equipment & Tools	.19	Minor Equipment & Repairs
20	Depreciation M&E	.10	Depreciation M&E
21	Depreciation B&I	.11	Depreciation B&I
22	Amortization	.08	Amortization of Decreased
23	Rents & Royalties	.07	Rent and Royalties
*24	Vehicle Operations		Vehicle Operations
25	Utilities	.03 & .05	Light, Heat, Power & Fuel
*26	Communications Expense	.09	Telephone & Telegraph
27	Bad Debts Expenses		Not Used
28	Travel Expense	.06	Travel Expense
.1	Regular Travel	.1	Regular Travel
.2	Perm. Change Station-Benefits	.2	Change of Duty Station (OB 12)
.3	Perm. Change Station-travel	.3	Change of Duty Station (OB 12)
.4	Transportation - Storage		Not Used
.5	Training Travel	.4	Training Travel
29	Freight, Express, Parcel Post	.16	Freight, Express, Parcel Post
30	Transportation Cost Billed to Other	.16.6**	Transportation Cost Billed to Other
31	Packaging & Shipping	.26	Packaging & Shipping
32	Samples	.25	Samples

* Contains further breakdown of account than shown on FPI Form 4
** Nominal Account 5501.1 has also been used.

New Account Number	New Accounting Title	Old Account Number	Old Accounting Title
33	Office Expenses	.23	Office Supplies, Printing and Stationery
.1	Supplies & Stationery	.1	Supplies & Stationery
.2	Postage	-	Not Used
.3	Printing & Duplicating	.2	Printing
.4	Equipment Rental	-	Not Used
.5	Computer Lines Telephone Charge	-	Not Used
.6	Computer/Office Machine Repair		Not Used
34	Publications	.27	Publications
		-	
35	Interest Paid	-	Not Used
*36	Discounts Lost	-	Not Used
37	Other Expense	.04	Other
38	Special (Cleaning Account)	.37	Personnel Benefits
39	M&E Vocational Training	-	M&E Vocational Training
40	B&I Vocational Training	-	B&I Vocational Training
41	Marketing & Selling		Not Used

* Contains further breakdown of account than shown on FPI Form 4

CONVERSION SHEET
OLD SUB-ACCOUNTS
To
NEW SUB-ACCOUNTS

Old Account Number	New Account Number	Old Account Number	New Account Number
.01	.01	.16	
.1	.1	.1	.29
.3	.3	.3	.28.4
.a	.a	.4	.30
.b	.b	.17	.24
.c	.c	.18	-
.5	.3	.19	.19
.8	.4	.20	.08
.02	.05	.21	-
.03	.25	.22	.09
.04	.37	.23	.33
.05	.25	.1	.1
.06	.28	.2	.2
.1	.1	.24	.11
.2	.2	.25	.32
.3	.3	.26	.31
.4	.5	.27	.34
.07	.23	.28	.10
.08	.22	.29	.04
.09	.26	.1	.1
.10	.20	.2	.2
.11	.21	.30	.07
.12	.15	.1	.1
.13	.14	.2	.2
.14	.18	.3	.3
.15	.17	.35	.31
		.36	.12
		.37	.38
		.38	.02
		.40	Not Used
		.50	Not Used

CONVERSION SHEET
New Journal Entry
To
Old Journal Entry

New JE	Corresponding Old JE	Purpose
1	Various	Transaction which affect Acct. 97.
5	5	Record Cash Collections.
* 6	none	Recapture donated property expense.
7	7	Record transportation cost for month.
7A	none	Write off transportation accruals not billed.
8	8	Record tangible property received.
* 8A	8	Return of tangible property received.
* 8B	8	Record donations at fair market value.
9	9	Record vouchers approved for payment.
* 9A	-	Used upon discontinuance of a factory, product line or method of operations.
10	10	Accruals.
11	11	Reverse of accruals from prior month.
12	12	Items issued for the month.
12a	-	Record adjustments in UNICOR property transfer.
13	13	Record payments made.
14	14	Record check cancellations.
15	15	Write off of deferred & prepaid expense.
16	16	Set up depreciation charges.
17	17	Charge overhead expense.
18	18	Charge completed WIP to F/G & cost of sales.
19	19	Charge completed w/drawn from F/G to cost of sales.
20	20	Record redistribution of expense within an industry.
21	21	Revaluation, disposal as scrap, transfer, lost without fault of responsible person.
*21a	21	Loss of fixed asset due to catastrophe.
*21b	21	Loss of inventory due to catastrophe.
*21c	21	Record 95%, write down.
*21d	21	Write down of prototype equipment.
22	22	Record sales.
*22a	22	Sale of scrap, removal from scrap inventory.
*22b	22	Sales returns for rework.
*23	-	Write off uncollectible debts.

New JE	Corresponding Old JE	Purpose
24	24	Close construction account.
* 25	26	Record increase/decrease in annual leave.
* 26	27, 28	Record Inventory Shortages ad write off damaged or obsolete inventory not processed through JE 26B or 26C.
* 26a	29	Record Shortages/overages in raw materials-Supplies
* 26b	none	Record directed allowances for damaged/obsolete property.
* 26c	none	Record disposal of items for which an allowance has been established in JE 26b.
* 27	21	Record donations of previously donated property to non UNICOR activities.
31	31, 32	Close nominal accounts.
* 32	31	Close Washington Control accounts.
* 40	31	Close division and corporate expense.
* 41	32	Close subsidiary Washington Control accounts.
* 42	32	Close corporate profit/loss for year.
* 43	-	Close Account 95.2 to 95. at year end.
* 44	14	Record distribution to U.S. Treasury.

* = NEW JE # DIFFERENT FROM OLD

SECTION 8500

OVERVIEW

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CONVERSION SHEET
Old Journal Entry To New Journal Entry

Old JE	New JE	Old JE	New JE
1	1	18	18
* 2	1	19	19
* 3	1	20	20
* 3a	none	* 21	
21a,21b,21c,21d			
* 4	1	22	22
* 4a	none	* 23	none
5	5	24	24
* 6	1	* 25	1
7	7	* 26	25
8	8	* 27	26
9	9	* 28	26
* 9a	none	* 29	26A
10	10	* 30	None
11	11	31	31, 32, 40
12	12	32	41, 42
13	13		
14	14, 44		
15	15		
16	16		
17	17		

FOREWORD

1. PURPOSE. This manual has been developed to provide accounting policies and procedures to be followed in governing accounting operations and internal financial controls within UNICOR. These policies and procedures are designed to be consistent with the principles and standards established by both the General Accounting Office and the Department of Justice. Manual changes will be issued when required to assure that documented policies and procedures keep pace with current developments in accounting theory and practice and the needs of UNICOR operations.

2. SCOPE. All corporate, division and field locations of UNICOR are required to operate in accordance with policies and procedures prescribed in this manual.

Norman A. Carlson
Commissioner
Federal Prison Industries, Inc.

UNICOR
ACCOUNTING MANUAL

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OVERVIEW

100. BACKGROUND Federal Prison Industries, Inc., is a wholly owned Government corporation established in the District of Columbia in 1934 under Acts of Congress and an Executive Order, both of which are now incorporated in Title 18 of the United States Code, Section 4121 to 4128. Throughout this manual the trade name UNICOR will be used to identify the corporation, Federal Prison Industries, Inc.

101. UNICOR MISSIONS The primary missions of UNICOR are to:

1. Employ as many inmates as possible in contemporary productive labor. This mission is designed to reduce idleness which deprives offenders of self respect and a sense of purpose and provides inmates with money for personal expenses and family assistance. Various forms of employment are to be provided to give inmates maximum opportunity to acquire a knowledge and skill in trades and occupations which will provide a means of livelihood for them upon release.

2. Provide industrial training to inmates at the entry level or for enhancement of their capabilities in skilled and semi-skilled occupations. Industrial training may be provided qualified inmates whether assigned to UNICOR or any other institution program

3. Remain financially self-supporting in meeting the financial needs for facilities/equipment modernization and improvements, manufacturing operations, vocational training expenses, monthly cash awards inmate services provided to the institution and accident compensation of inmates injured in job related activities.

102. LEGISLATION Title 18 of the United States Code provides legislation for UNICOR activities in the areas of the duties, authorities and controls.

1. <u>Duties</u>. Specific UNICOR duties legislated by Congress includes:

a. UNICOR Board of Directors shall provide employment for all physically fit inmates in the United States penal and correctional institutions and may provide for the vocational training of qualified inmates without regard to their industrial or other assignments.

b. Such forms of employment shall be provided as will give the inmates of all Federal penal and correctional institutions a maximum opportunity to acquire a knowledge and skill in trades and occupations which will provide them with a means of earning a livelihood upon release.

c. All moneys under the control of UNICOR or received from the sale of the products or by-products of such Industries, or for the services of federal prisoners, shall be deposited or covered into the Treasury of the United States to the credit of the Prison Industries Fund and withdrawn there-from only pursuant to accountable warrants or certificates of settlement issued by the General Accounting Office.

d. All valid claims and obligations payable out of said fund shall be assumed by the corporation.

e. The corporation, in accordance with the laws generally applicable to the expenditures of the several departments and establishments of the government, is authorized to employ the fund, and any earnings that may accrue to the corporation, as operating capital in performing the duties imposed by this chapter including the repair, alteration, erection and maintenance of industrial buildings and equipment; paying, under rules and regulations promulgated by the Attorney General, compensation to inmates employed in any industry, or performing outstanding services in institutional operations; and compensation to inmates or their dependents for injuries suffered in any industry or in any work activity in connection with the maintenance or operation of the institution where confined. In no event shall compensation be paid in a greater amount than that provided in the Federal Employees' Compensation Act.

f. Accounts of all receipts and disbursements of the corporation shall be rendered to the General Accounting Office for settlement and adjustment, as required by the Comptroller General.

g. Such accounting shall include all fiscal transactions of the corporation, whether involving appropriated moneys, capital, or receipts from other sources.

h. The Board of Directors of UNICOR shall make annual reports to Congress on the conduct of the business of the corporation and on the condition of its funds.

2. Authorities. Specific UNICOR authorities legislated by Congress includes:

a. The Attorney General may make available to the heads of the several departments the services of United States prisoners under terms,

conditions, and rates mutually agreed upon, for constructing or repairing roads, clearing, maintaining and reforesting public ways or works financed wholly or in major part by funds appropriated by Congress.

b. The Attorney General may establish, equip, and maintain camps upon sites selected by him elsewhere than upon Indian reservations and designate such camps as places for confinement of persons convicted of an offense against the laws of the United States.

c. UNICOR industries may be either within the precincts of any penal or correctional institution or any convenient locality where an existing property may be obtained by lease, purchase or otherwise.

3. Controls. Specific operating controls over UNICOR operations that have been legislated by Congress includes:

a. Limitation on commodities produced to those consumed within Federal penal institutions or for sale to the departments or agencies of the United States, but not for sale to the public in competition with private enterprise.

b. UNICOR industries should be so diversified that no single private industry shall be forced to bear an undue burden of competition from the products of the prison workshops and should reduce to a minimum competition with private industry or free labor.

c. Any industry established by UNICOR shall be so operated as not to curtail the production of any existing arsenal, navy yard, or other Government workshop.

4. Sales. Title 18 of the United States Code, Sec. 4124, also provides legislation related to the sale of UNICOR products as follows:

a. The several Federal departments and agencies and all other Government institutions of the United States shall purchase at not to exceed current market prices, such products of the industries authorized as meet their requirements and may be available.

b. Disputes as to the prices, quality, character, or suitability of such products shall be arbitrated by a board consisting of the Comptroller General of the United States, the Administrator of General Services, and the Director of the Bureau of the Budget, or their representatives. Their decision shall be final and binding upon all parties.

103. BOARD OF DIRECTORS

1. The Corporation is administered by a Board of six directors representing industry, labor, agriculture, retailers and consumers, the Secretary of Defense and the Attorney General.

The members of the Board are appointed by the President of the United States and serve without compensation (18 U.S.C. 41231). Regular meetings of the board are held semi-annually.

2. Officers of the Corporation include a President and Vice President selected from Board of Director membership. The Secretary of the Corporation is appointed by the President of the Board of Directors subject to approval by the Board of Directors. The Director of the Federal Bureau of Prisons is the ex-officious Commissioner of Industries. He is the acting executive officer of the Corporation and has all of the rights and powers vested in him by the Board of Directors. He is specifically empowered to sign all contracts of the Corporation. The Commissioner causes to be kept full and accurate accounts of receipts and disbursements in books belonging to the Corporation as well as all other transactions of the Corporation so that a proper and correct financial condition of the Corporation can be ascertained at any time.

An Associate Commissioner is appointed by the Board of Directors who exercises the powers and performs the duties of the Commissioner of Industries to the extent delegated by the Commissioner or vested in him by the Board of Directors. Employees of the Corporation and their rate of pay are subject to the Attorney General's criteria and the rules and regulations of the Office of Personnel Management.

104. ORGANIZATION STRUCTURE. The Associate Commissioner with the aid of an executive assistant directs UNICOR operations through three groups, one staff function and a Product Requirements Committee.

1. Industrial Operations Group. Five divisions comprise this group Each of these divisions is responsible for a specific product line or number of related product lines. The functions of each product division include those directly related to the production and sale of goods and services; including product development, procurement, inventory management, production scheduling, customer search, sales and marketing, etc. The five product divisions and associated products are:

a. Data/Graphics Division. Data encoding services (keypunch, key-to-disk, key-to-tape). General and special custom printing, wood and metal signs, decals.

b. Electronics Division. Wiring devices of all types, electrical cable assemblies, electronic wiring harnesses, printed circuits, electronic systems, support systems.

c. Metals/Wood/Plastic Division. Metal and wood office/dormitory furniture, steel shelving, military beds, bore brushes, molded fiberglass furniture, furniture refinishing, military helmets, wide variety of paint, varnish and maintenance brushes.

d. Textile and Leather Products Division. Shoes, brooms mattresses, gloves, drapery, cotton and wool textiles, canvas goods, synthetic textile products, clothing, weather parachutes.

The organizational structure of the divisions normally has the following staff functions: division management, industrial or production management, quality control, administration and marketing. Product Division Managers report directly to the Secretary/Deputy Associate Commissioner. While division administrative officers are not directly involved in accounting matters they receive, review and analyze copies of monthly accounting reports related to their division factories and evaluate pricing recommendations. As a result they serve as financial advisors to the product division managers.

2. Corporate Management Group. This group advises on the plans and policies of the Corporation and oversees its general management. Among its primary responsibilities are formulation of program plans based on both corporate and institution needs and assessment and evaluation of industrial programs. It is also responsible for those activities generated by common needs of the product divisions such as publications, inmate programs, industrial design, and quality assurance. This group is directed by the Secretary/Deputy Associate Commissioner, assisted by an administrative officer and is comprised of the Quality Assurance, Industrial Design and Inmate Programs Units. In addition, each Superintendent of industries is a member of the Corporate Management Group in matters concerning the conduct of UNICOR business and corporate policy.

The functions of these support units are as follows:

a. The quality assurance unit is responsible for the development of corporate policies and procedure in quality assurance areas. The Quality Assurance Manager is also responsible for field location reviews to assure implementation of corporate-wide quality assurance programs.

b. The industrial design unit is responsible for development of sales promotion literature and related graphics arts.

c. The inmate programs unit is responsible for inmate industrial training programs, inmate industrial relations and inmate safety programs.

d. The groups administrative assistant provides a focal point for liaison between the Corporation and the Committee for the Employment of the Blind and Other Severely Handicapped (BOSH), and for the administration of corporate-wide civilian position and personnel matters.

3. Financial Management Group. This group maintains the corporate financial and management information system and records, establishes corporate policies and procedures and reviews their implementation, is responsible for facilities management and assumes responsibility for the effective operation of field location business offices. The group is directed by a

Deputy Associate Commissioner and is comprised of the Information Systems,

and Resources Division; and the Internal Audit, Industrial Project, and Plans and Policies Units.

a. The Information Systems Division is responsible for all the technical effort required to automate UNICOR financial and data systems.

b. The Resources Division is responsible for financial and accounting matters of the corporation including the development and dissemination of policy statements. The Controller heads the division. Central Office needs for legal, personnel, procurement, fiscal, mail room, maintenance, safety service is provided by the Bureau of Prisons. UNICOR pays for service by assuming the cost of salaries for support positions.

c. The Internal Audit Unit is responsible for periodic on-site review of financial activities at UNICOR field locations and Product Division offices. Tri-annual audits by the General Accounting Office and periodic audits by the Department of Justice Audit Staff, financed by UNICOR, round out the formal audit activity for the corporation. The Bureau of Prison's Office of Inspection reviews all matters concerning the professional integrity of UNICOR personnel.

d. The Industrial Projects Unit coordinates UNICOR involvement in the establishment and furnishing of new BOP institutions, UNICOR building and improvement programs, facility management and safety.

e. The Plans and Policy Unit coordinates long range planning and budgeting, develops corporate polices and procedures related to program matters, coordinates UNICOR staff training, conducts operations and management analyses and participates in special projects as assigned.

4. Corporate Policy Review Committee (PRC). This committee assists the corporate Management Staff by originating, reviewing and recommending corporate policy. This exploration concept is carried out by a staff member from each of the UNICOR Divisions as appointed by the Division Manager. Specific functions of the Committee to: a. Provide a corporate-level forum for the discussion, review, and development of corporate policy issues. It's recommendations are submitted to the Corporate Management Staff for review at regular, bi-monthly Division Managers Meetings.

b. Perform ad hoc studies to research and recommend solutions to specific PRC agenda items.

c. Develop papers pertaining to issues on its agenda for Executive Staff and Division Managers Meetings, and other forums. These papers are circulated among the Corporate Management Staff for review and approval prior to release.

d. Search for and evaluate new enterprises for UNICOR, and evaluates and recommends future directions for existing industries.

105. MANAGEMENT SYSTEM In 1977 UNICOR implemented a management structure based upon the contemporary concepts of matrix management. To illustrate the matrix concept, excerpts from the June 1978 issue of the Harvard Business Review are presented below:

"The identifying feature of a matrix organization is that some managers report to two bosses rather than to the traditional single boss; there is a dual rather than a single chain of command. This modern design attempts to take advantage of both the new and the old organizational systems by superimposing a project structure onto a functional structure. Essentially, each unit or individual staff member of the matrix structure has a functional boss and a project boss.

In most matrix organizations, there are dual command responsibilities assigned to functional department (marketing, production engineering, and so forth) and to product or market departments. The former are oriented to specialized in-house resources while the latter focus on outputs. Every matrix contains three unique and critical roles; the top manager who heads up and balances the dual chains of command, the matrix bosses (functional, product, or area) who share subordinates, and the managers who report to two different matrix bosses."

UNICOR's matrix system involves interaction between the two major components of the Federal Prison System (BOP and UNICOR) as well as interaction within UNICOR. For example, the Superintendents of Industries, the ranking UNICOR official in the field, must answer to the institution's Warden, whose supervisory role within the institution extends to all BOP and UNICOR employees at that location. Among the Superintendent's institutional responsibilities are serving as Acting Associate Warden and institution duty officer when so designated. On the other hand, as a member of the UNICOR Corporate Management Group, the Superintendent reports to the Deputy Associate Commissioner (Operations), UNICOR. In this example the Warden serves as the Superintendent's functional superior while the Deputy Associate Commissioner serves as the project supervisor.

The schedule and organizational chart for Federal Prison Industries, Incorporation presented herein (illustrations 1 and 2) illustrate the basic lines of authority and communication for certain key positions. They are broken down into institutional and divisional areas of responsibility. (It should be noted that this particular chart is for FPI only, and that the Commissioner is also the Director of Bureau of Prisons.)

106. DELEGATION OF AUTHORITY TO CORPORATE CONTROLLER

1. General Responsibility. The Corporate Controller is responsible for the reliability of the Central Office and field location accounting

Illustration 1
Matrix Concept of Management
Organization Chart

FEDERAL PRISON INDUSTRIES, INC.

Illustration 2
Multiple Industries Locations
Organization Chart

Position	Functional Boss	Project Boss(es)
Superintendent of Industries (Corporate Management Group)	Warden (BOP)	Secretary/Deputy Associate Commissioner, UNICOR (Corporate Management)
		Division Manger (Product Division)
*Factory Manager (Product Division)	Superintendent of Industries (Corporate Management Group)	Division Manager (Product Division)
Business Manager (Resources Division)	Superintendent of Industries (Corporate Management Group)	Controller, UNICOR (Resources Division)

*At those institutions with single industries, the general foreman replaces the factory manager.

systems and the accounting of financial data as accumulated, summarized and reported for internal and external purposes. The Controller is also responsible for the implementation of the necessary internal controls for the safeguarding of corporate assets and for insuring the validity and integrity of the financial data generated. Generally, these responsibilities are discharged through the issuance of accounting policies, the establishment of systems and procedures, the review of submitted reports, coordinating training for Resources Division staff, and overseeing the assignment of positions and the selection of personnel for these positions. The commensurate authority is delegated by the Associate Commissioner, through the Deputy Associate Commissioner.

2. Staffing Structure of the Resources Division.

a. Central Office -- The headquarters component is comprised of the Resources Division Manager (Controller), and a small support staff of accountants and administrative personnel. In addition to providing the policy guidance for the division, this staff prepares the corporate consolidated financial statements and issues all required statistical reports for external governmental purposes. This staff also maintains the corporate accounting ledgers.

b. Field Location UNICOR Business Offices - The accounting records for the operation of UNICOR's production factories and service shops are generally maintained in the Federal Correctional Institutions, U.S. Penitentiaries or other correctional facilities where these industrial activities are located. There are exceptions where it is more economical or efficient to maintain the records at a remote location, usually another UNICOR Business Office. Each business office is under the direction of a Business Manager, with a support staff of a size commensurate with the workload which varies according to the number of factories involved. A separate set of records is maintained for each factory, and uniform reports are prepared monthly. As of July 1982, the accounting procedures employed are primarily manual in nature, supported by electronic posting machines in the UNICOR business offices. However, the Corporation is making a gradual transition to a computerized system for accumulating the financial data and transmitting the reports to the Central Office. To the maximum extent practicable, consistent with sound internal controls, inmate clerks are assigned to supplement the civilian personnel in these offices. These clerks perform most of the clerical and accounting tasks under the direction of and review by the civilian staff which functions basically in a supervisory capacity. The staff generally includes accountants, contracting officers and warehouse personnel in addition to the Business Manager.

The UNICOR Business Managers, as part of the Resources Division, are the professionals responsible for financial matters and the financial implications of proposed courses of action. In this capacity, they perform a valuable function by advising operating management officials on cash availability, propriety of procurement action, credibility of suppliers, accuracy of cost allocations and other related financial matters. Providing advice on such matters is designed to avoid pitfalls and assist in applying efficient management and operating techniques. The Superintendent of Industries is also responsible for Business Office

activities as part of his/her overall responsibility for UNICOR operations at their field location. Those responsibilities include periodic performance evaluations of the Business Manager, with input from the Controller.

3. Specific Transactions Requiring Controller's Approval.

a. Authorization and termination of designated certifying officers at all locations.

b. Approval of Contracting Officer at all locations.

c. General concurrence with selection of all non-delegated Resources Division positions at the field level, as well as Central Office staff.

d. Control of meritorious pay, vocational training and Central Office Administration expenditures within the parameters established by Congressional annual appropriation legislation.

e. Control of Central Office expenditures for machinery and equipment items, approval of special authorizations ($5,000 or more per line item) for the acquisition of nonproduction type equipment and provide quarterly reports on the status of planned machinery and equipment acquisitions.

f. Approval of factory Board of Survey valuation of surplus property acquisitions involving line items valued in excess of $5,000.

107. FINANCING UNICOR OPERATIONS

1. UNICOR operations are financed by the sale of its manufactured products rather than allocations from appropriated funds. While UNICOR's budget process is used to estimate sales volume and related costs for the year, it does not control procurement action to the same extent as operating budgets control Congressional allocations. UNICOR's pre-validation process for procurement action is concerned with the availability of a sales order rather than fund allocation. Sales generate the funds required to pay for operating costs and expenses. There are exceptions. Vocational training expenditures and administrative expenses for Central Office activities are limited by Congressional appropriation language. UNICOR establishes its own limitations, frequently based on Congressional mandates, in such areas as travel expenses, meritorious pay for Bureau of Prison inmates and major equipment and facility expenditures. Pre-validation procedures are required for expenditures in these areas.

2. While pre-validation procedures are not generally appropriate for UNICOR financial activities, effective control of UNICOR cash balances is a necessity. Since UNICOR is self-supporting, sophisticated plans are developed to assure that production activity generates sufficient cash to meet operating needs. Vendor invoices should be paid promptly, but consistent with current Federal cash management policies. Good relations must be maintained with desired sources of supply. Adequate facilities and equipment must be available, payrolls must be promptly paid, and sufficient quantities or raw materials must be on hand to keep production lines moving.

3. All monetary receipts of UNICOR factories are deposited to a Corporation account with the Treasury of the United States and are subject to use by corporation entities in accordance with laws generally applicable to Departments of the Government. There is only one account for the Corporation. All institution business offices use this account, and individual factory cash balances are maintained for internal purposes.

4. Deposits and disbursements are identified by Treasury accounting station codes for each UNICOR location. Monthly deposits and disbursements by location are subject to reconciliation with the Treasury. In addition the UNICOR cash account balance with Treasury is subject to monthly reconciliation. Cash availability by factory at a UNICOR location is controlled at the HQ level, Resources Division in coordination with the location Business Manager. Cash transfers by journal entry among the factories are made as necessary. These transfers are not processed through Treasury as they have no effect upon UNICOR's cash account balance with the U.S. Treasury.

108. BUDGET PROCESS. UNICOR's budget activity is an annual process to project corporate expectations. The process is not designed as a basis for obtaining funds as with most Government agencies. However the process does provide a basis for controls, coordination, communication and motivation, features of any effective budget process. Each factory and management unit identifies its objectives and projected financial activity which is coordinated into corporate goals and objectives and financial projections.

Minor appropriation controls are established for corporate administrative expenses, vocational training expenditures and meritorious pay. The remaining financial projections are related to production estimates.

109. PAYROLL FUNCTION. The payroll function for UNICOR is segregated into two categories, civilian payroll and inmate payroll.

1. Civilian payroll is processed entirely by the Department of Justice based on information given them by UNICOR's time and attendance clerks. Bi-weekly the Department of Justice provides UNICOR with earnings statements and computer printouts (Accounting Station Posting Media, A.S.P.M.) which support the actual checks produced by Treasury per the Departments payroll. The A.S.P.M. is the document which provides the payroll information for UNICOR's official set of accounting records.

2. Inmate payroll is prepared within each location's Business Office and is divided into two types of pay: pay for those inmates working within the industries and performance pay for inmates working on institutional assignments. Payment for inmates working within the industries are based on their experience and longevity within UNICOR institutions. Inmates receiving performance pay receive compensation dependent upon assignment by the Warden. Inmates under the performance pay system are not associated with any function of the UNICOR industries.

110. REPORTS

1. Basic Requirements. The UNICOR accounting system is designed to enable the prompt preparation of all needed financial reports. UNICOR reports clearly disclose significant financial facts about UNICOR operations and activities. They are prepared and issued as often as necessary to be of maximum use to management officials and to meet prescribed external requirements. Both external and internal reports are prepared from the same source data and should be in agreement. External reports are designed to meet the requirements of control agencies and internal reports to meet the needs of UNICOR management. Internal reports include (1) statements of assets and liabilities (Balance Sheet) and (2) statements concerning the results of operations (Income and Expense).

2. Type and Content of Reports. The following discussion addresses the major categories of UNICOR accounting reports.

a. Financial Position (Balance Sheet). Field Business Offices and the Central Office prepare statements of assets and liabilities relating to their factories or activities. Such statements should disclose the major categories of assets, the amount and nature of significant contingent liabilities, and such explanatory information on the assets and liabilities as is necessary to fully and clearly disclose the financial position of the reporting office.

b. Results of Operation. Applicable costs incurred to produce revenues from sales of materials or services is compared or matched with the amount of such revenues in preparing financial reports on revenue-producing operations. The difference between revenues and applicable costs and expense represents the financial results of these operations as mea-measured by the increase or decrease in the net assets of each factory or activity.

c. Sources and Application of Funds. Annual corporate statements of financial position and results of operations prepared by the Resources Division are accompanied by statements of sources and application of funds. All significant items must be shown separately, as either a source or application of funds.

d. Treasury Reports. UNICOR Business Offices and the Central Office prepare reports and information relating to financial condition and operations as required by the Treasury Department. UNICOR accounts relating to cash and other financial transactions are maintained in such a manner as to facilitate the prompt and accurate preparation of reports.

3. Other. Each UNICOR field location supplies the Resources Division with monthly balance sheets, income statements, and a statement of cash transactions. A monthly job analysis report (FPI Form 51) is submitted to Division management along with the monthly financial statement. Monthly obligation reports, SF 225, Report of Obligations, and FPI Form 78, Report of Anticipated Obligations/Reimbursements, are submitted to the

Resources Division as source data for various OMB reports. Monthly Status of Orders Reports (FPI Form 79) are submitted to Division Office for review and analysis. A Construction Budget and Progress Report (FPI Form 29) is submitted monthly to Resources Division

At the close of each quarter UNICOR locations provide reports of expenses, accounts receivable and accounts payable. Each location submits, monthly, copies of its Washington Control Register related to capital of investment account transactions. Semi-annual reports on Procurement by Civilian Agencies, Enforcement, Construction Progress, and Minority Business Development are required for Central Office reporting to the Department. During the year property items and raw material, work-in-process and finished goods inventory reports are submitted to the Resources Division for their review and analysis.

Annual reports are provided concerning Analysis of Other Income, miscellaneous sales, other expense, utilization and disposal of excess and surplus property, real property, motor vehicle, postal volume, inmate industrial pay and sundry assets. Annual operating plans are submitted to the Bureau of Prisons and Department of Justice. Based on these plans the Department provides Standard Form 132 apportionment and reapportionment schedules.

111. UNICOR'S ACCOUNTING SYSTEM

1. UNICOR's Accounting System is designed to meet the requirements of the Budget and Accounting Procedures Act of 1950 and the accounting principles, standards, and related requirements prescribed by the Department of Justice as approved by Comptroller General of the United States. The UNICOR system features accrual basis and cost accounting methodology. Sales are accounted for when invoiced. Material and labor costs and major expense items are charged to operations when used rather than when obligated, received or paid. Raw materials are recorded as an asset when received with an offsetting liability established pending payment. Major expenses items that are paid for but not used as of the end of an accounting period are reported as prepaid expenses. Major expenses items that are used but not paid for at the end of an accounting period are reported as an accrued liability. Property items are recorded as assets when received, and the costs of such items is charged to operations through periodic depreciation or amortization entries. Effective property and inventory controls are essential elements of the UNICOR accounting systems. Property responsibility assignments are enforced and effective maintenance programs are required. Inventory stock levels are established and used in the procurement process. Periodic physical inventories provide data as to the effectiveness of procedures and internal controls.

2. UNICOR's cost accounting system provides for analysis and evaluation of each production job or process. Cost variances can be promptly and specifically identified. When customer orders are received, estimates are revised or cost levels based on prior experience standards are used to establish cost and quantity expectations. A production order with control number identification initiates the production cycle. Material and labor costs and applicable overhead expenses are charged to work-in-process inventory when put into production and transferred to finished goods

inventory

when the production cycle is completed. Upon sale of items produced the applicable asset value in finished goods inventory is charged as cost of goods sold to be applied against the dollar value of the sale. The actual cost of each production effort is compared with the predetermined estimate or expectation. Analysis and evaluation of any significant deviations from prior estimates discloses production efficiencies or deficiencies, effectiveness of controls and profitability of the work effort As a result of those evaluations effective personnel evaluations can be made, production improvements recommended or decisions made to emphasize or deemphasize further involvement with that product. Tie-in of cost data with the financial accounting data provide an additional internal control feature.

112. ACCOUNTING FUNCTIONS. Sound financial planning and execution in UNICOR is accomplished through the accounting and internal control system. The purposes of the accounting system and internal control procedures are as follows:

1. Accounting. UNICOR's accounting system provides essential and reliable information on assets, liabilities, disbursements, revenues, costs and expenses. The accounting system provides for identifying classifying, recording, controlling, summarizing, reporting, analyzing, and interpreting financial data. The system is a management tool designed to (a) show the cost of producing each job or process; (b) evaluate performance on each job or process by comparing actual cost with pre-determined estimates; (c) provide a basis for financial and production planning; (d) show the status of financial condition and results of operations; (e) safeguard public funds and other resources; and (f) assure compliance with applicable laws and regulations.

2. Internal Control. UNICOR's internal control system comprises the plan of organization and coordinated methods adopted to safeguard assets, to check the accuracy and reliability of accounting data, to promote efficiency and economy of operations, and to encourage adherence to prescribed managerial policies. UNICOR's internal control system encompasses (a) internal administrative control; (b) internal accounting control; and (c) internal checks (accounting procedures or statistical, physical, or other controls which safeguard assets against waste, loss, fraud or other improper or unwarranted use).

113. OBJECTIVES OF THE UNICOR ACCOUNTING SYSTEM. UNICOR's accounting system is designed to meet all internal needs for cost and other financial data for planning, programming, budgeting, controlling, and reporting of UNICOR operations. The following specific objectives are accomplished:

1. Effective control over funds, property, other assets,

obligations, liabilities, expenditures, costs and revenues.

2. Accurate and reliable bases for developing and reporting costs of performance by (a) organizational unit, (b) job or process, and (c) program structure.

3. Flexibility in accommodating new and revised program structures to support programmatic management.

4. Full and prompt disclosure of the financial condition and results of operation and support of each major program or activity through reports based on an orderly system of controlling and recording financial transactions on the accrual basis.

5. Production of adequate financial reports and related information on a timely basis to meet the needs and objectives of internal management and to comply with external requirements, including the furnishing of financial data as required by statutory and other law, Congress, or congressional committees.

6. Production of reliable financial and cost data to be used for preparation and support of UNICOR's budgets, for controlling the execution and administration of those budgets, and for reporting to the Federal Prison System, the Department of Justice, and others as required.

7. Development of cost data for use in measuring results of operations and performance of assigned functions.

8. Suitable integration of UNICOR accounting with the Federal Prison System and Department of Justice accounting.

114. IMPROVEMENTS AND UPDATING. The UNICOR accounting system is reviewed continuously and revised as necessary to assure maximum effectiveness and usefulness to management. Officials of all organizational entities are expected to propose changes that will improve and update the accounting systems. Such proposals should be directed to the Controller.

Automated data processing and other mechanical, electric and electronic methods are considered whenever feasible and economical. Applications for automation are developed with due consideration for both potential cost savings and increased efficiency. Such applications are reviewed by the Corporate ADP Steering Committee.

115. BASIC ACCOUNTING APPLICATIONS. This section details the general application of the UNICOR accounting system.

1. Business Office Locations. As stated in paragraph 106, each location where UNICOR conducts operations has a Business Office which is responsible for recording/posting and reporting financial data as related

to that location. There is a Business Office for each field office and a Control Accountant who fulfills this function for Central Office activities.

2. Accounting Mechanism. Financial information is captured at each Business Office and the Central Office through manual posting to journals and registers and through the use of NCR electronic posting machine. This process enables personnel to record accounting transactions in various subsidiary ledgers or registers. A NCR ledger card is established for each general ledger account to enable recording and summarizing in the general ledger each month. After closing data for adjusting entries are taken from these subsidiary registers.

3. Processing Cycle. The steps involved in the accounting cycle performed in UNICOR field Business Offices and in the Central Office are as follows:

a. A NCR general ledger card is established for each account to be posted in the general ledger.

b. Source documents are received or created by accountants to provide the first record of transactions.

c. Transactions are documented/journalized on the basis of the source documents which commonly are referenced to provide an audit trail and support for the journal entries.

d. Transactions are posted manually either to a subsidiary register/journal for the applicable general ledger account(s) or via journal vouchers to the applicable NCR general ledger card.

e. Subsidiary registers/journals are closed for the month, reconciled with support documentation and posted via journal vouchers to NCR general ledger cards.

f. Accruals and other month end adjusting entries are prepared and posted via journal vouchers to NCR general ledger cards.

g. Financial statements/reports are prepared from the adjusted ledger accounts.

116. OBJECT CLASSIFICATIONS. UNICOR captures cost information by uniform object classifications as required by OMB Circular A-12. The object classifications are based on the nature of the goods or services as distinguished from the purpose for which such liabilities are incurred. As liabilities are paid, they are posted to the Voucher and Disbursement Registers. Each recording is coded with the appropriate general ledger code, which relates to an object classification and is consolidated monthly to be used in the various reports required to be submitted by object classification. Monthly accruals and adjusting entries complete the accounting for object classifications.

117. GENERAL LEDGER ACCOUNTS. The UNICOR accounting systems maintain financial information in specific general ledger accounts (assets and liability accounts). The general ledger accounts classify in summary for each appropriation all the accounting transactions of UNICOR and provide a permanent record of the financial position and results of operations. General ledger accounts are established for each factory and the Central Office. The general ledger account numbers are established and maintained by the Central Office in the Resources Division. The accounts are updated such month and are maintained on the accrual basis. Paragraph 115 explains the pro-process whereby the general ledger accounts are effected.

118. RELATIONSHIP TO THE DEPARTMENT OF JUSTICE PAYROLL SYSTEM. The Department of Justice, (DOJ) Payroll System processes the UNICOR civilian payroll. The general flow begins with the time and attendance records going from UNICOR to DOJ where all processing occurs. The results of that processing then flows to UNICOR and includes paychecks and the necessary data for accruals, disbursement and management review. This occurs each pay period. The manual interface of payroll input into the UNICOR accounting system is provided via the Accounting Station Posting Media (ASPM) report which is generated by the DOJ payroll system. Field Business Offices and the Central Office prepare journal entries to enter the payroll data into the UNICOR accounting system based upon object classification, nature of transactions, accounting period and method of payment from the ASPM. The ASPM provides a timely mechanism to verify that all civilian payroll transactions have been accurately posted and reported.

119. PERSONNEL LEADERSHIP AND TRAINING. UNICOR requires and demands positive dynamic leaders and qualified personnel for its financial management system. Responsible staff are expected to (a) challenge existing procedures; (b) precisely identify management needs and establish priorities; (c) plan and schedule program activity in substantive detail; (d) train and motivate all personnel; (e) effectively direct the actions of subordinate staff; (f) provide adequate resources; and (g) effectively coordinate financial activity with the production effort. The training and development of financial staff features accrual, cost and Automatic data Processing techniques. Organized training in these fields provides an understanding of current concepts, processes and problems, and the more skillful and economic application of modernized practices. Training activities are not limited to financial management techniques per se, but include efforts to convey to operating officials the financial service available under the integrated systems and how those techniques might best be used efficiently.

Financial management training is based on the use of available Government-wide training facilities, Department of Justice facilities,and UNICOR's own training facilities.

120. RELATIONSHIP TO OTHER SYSTEMS. Inmate activity is integrated with the Bureau of Prison's "SENTRY" system as a feature of inmate control. UNICOR's inmate payroll and contribution to the Bureau's performance pay system is integrated with the Bureau's Inmate Trust fund activity. Because financial and cost accounting have been developed as a single system, Business Office personnel must assure that accurate cost data flows into the financial accounting system.

SECTION 8501

CHART OF ACCOUNTS

--RESCINDED--

APPENDIX A

SECTION 8502

JOURNAL ENTRIES

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SECTION 8502

JOURNAL ENTRIES

100. GENERAL

Explanations of each of the following journal entries are appropriate for most transactions. However such explanations should be changed to properly describe your specific transactions. Identify the original and all copies of each journal entry as to location and facto

JOURNAL ENTRY 1

	ACCT	
DR.:	11010	Cash-Operating
	12010	Gov. Billings-Other
	12060	Combination Settlements (Contra)
	13010	Raw Material and Supplies
	1601-	Machinery and Equipment
	16020	Accumulated Depreciation, M&E Inventory
	16030	Buildings & Improvements
	16040	Accumulated Depreciation, B&I
	160--	Construction (Use appropriate account.)
	18040	Assets In Transit
	22000	Unvouchered Receipts
	24000	Accrued Expenses
	25000	Special Deposits Payable
	26000	Contingent Annual Leave
	29010	Liabilities In Transit
	33---	Washington Control (WC)
	42020	Returns and Allowances, Transfer Sales
	42030	Sales Return for Rework, Transfer Sales
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	65---*	Other Expense
	66---*	Support Division Expense
	67---*	Product Division Expense
	7101-	Miscellaneous Sales
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
Cr.:	11010	Cash-Operating
	12012	Gov. Billings-Other
	13010	Raw Materials and Supplies
	15010	Finished Goods Manufactured
	1601-	Machinery and Equipment
	16020	Accumulated Depreciation, M&E Inventory
	16030	Buildings and Improvements
	16040	Accumulated Depreciation, B&I
	160--	Construction (Use appropriate account.)
	18040	Assets In Transit
	26000	Contingent Annual Leave
	29010	Liabilities In Transit
	33---	Washington Control (WC)
	42010	Transfer Sales
	61---*	Actual Overhead

* - Use General Subsidiary Account.

JOURNAL ENTRY 1 (continued)

	ACCT	
Cr.:	63---*	Selling Expense
	64---*	Pre-Industrial Training
	65---*	Other Expense
	66---*	Support Division Expense
	67---*	Product Division Expense
	7101-	Miscellaneous Sales
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental

To record field location and Washington office transactions affecting the Washington Control Account, i.e., cash transfers, raw material and fixed asset transfers, product sales, expense reimbursements, contingent annual leave transfers, and combination settlements. May be a debit or credit entry due to the reciprocal nature of Washington Control transactions. (See Page 8502-4 for detail by type of transaction.)

Source: Washington Control Register. A copy of the field location register shall be forwarded to the Controller at the close of each month.

NOTE: 1. PCS voucher transfer of costs through FPI Form 5s must include a breakdown as follows:

a. Change of Duty Station (Object Class 12) - house hunting trip, subsistence, and temporary quarters allowance, real estate costs, miscellaneous expense allowance.
b. Change of Duty Station (Object Class 21) - travel costs.
c. Transportation and Storage of Household Goods (Object Class 22) Chart of Accounts, paragraph 103, General Subsidiary Accounts 231, 232, 235, and 236, respectively.

2. The accounts shown may have a debit or credit balance.

(1) - Washington Office use only.
* - Subsidiary account required.

Appendix - Journal Entry 1

Washington Control Register Transaction
(Detail by type of transaction)

SENDING LOCATION**	DEBIT	CREDIT
Interindusty Sales	33040	42010
Sales Returns (received back)**	18040	33040
Combination Settlement	12060	33040
Annual Leave Liability	26000	33040
Penalty Mail Transfer	24000	33040
Expense Transfer	33040	61---*, 63---*, 64---*, 65---*, (**see note below)
RECEIVING LOCATION		
Assets		
Interindustry Sales	18040	33040
Sales Returns (sent back)	33040	1---- (appropriate account)
Combination Settlement	33040	18040
Prototype Costs	18040	33040
Liabilities		
Annual Leave Liability	33040	29010
Penalty Mail Transfer	33040	29010
Expenses		
Expense Transfer	65900	33040

** The sending location will complete both sides of the accounting on the Automated FPI Form 5 Billing. The "In Transit" accounts will be used for the location which will be charged. Note that in the above transactions, the "Receiving Location" is billing the "Sending Location" for Sales Returns and, therefore, will complete both sides of the transaction. The "Receiving" (charged) location will clear the "In Transit" account(s) once the transferred items or the documentation (for charges which do not require shipping) are received. Balances in an "In Transit" account indicate the "Receiving" location has not received the items or documentation for charges which have been transferred.

* - Subsidiary account required.

JOURNAL ENTRY 5

	ACCT	
DR.:	11---	Cash
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
Cr.:	12---	Accounts Receivable (see Note below)
	25000	Special Deposits Payable
	65---	Other Expense

To record cash and SIBAC collections received for the month, including receipts from combination settlements, collection of written-off receivables, and other special deposit items.

Source: FPI Form 36, Register of Remittances Received

NOTE: In combination settlements (receipt from customer covering invoices from two or more different factories), provide the location that does not receive the payment with an FPI Form 5 and support documentation. Record issuance of the FPI Form 5 in the automated FPI Form 5, debiting Account 12060 and crediting 33040 (see JE 1).

(1) - Washington Office use only.
* - Subsidiary account required. To record adjustments for receipt of transportation refunds to the extent that the receipt differs from estimates established in JE 22A. Use subaccounts 211 through 214, Regular Travel.

JOURNAL ENTRY 5A

	ACCT	
DR:	11010	Cash - Operating
	41010	Sales-Other Government Agencies
	41020	Returns & Allowances, Government Sales
	41030	Sales Return for Rework, Government Sales
Cr.:	11010	Cash-Operating
	XXXXX	Appropriate Account

To record SIBAC chargeback as the result of overbilling, incorrect ALC code, allowance, or customer return of goods.

Source: The SIBAC Chargeback section of the CBR (Collection Bill Register) which contains appropriate documentation of the nature/cause of the chargeback. (e.g. S.F. 238, SIBAC Adjustment Voucher for chargebacks).

Note: This journal entry will be used to record all chargebacks, regardless of the source. That is, chargebacks initiated by UNICOR against other government agencies (e.g. GSA), as well as, chargebacks initiated by other agencies against UNICOR will be included in this journal entry. See JE 19A for other accounting affected by chargebacks.

JOURNAL ENTRY 6

	ACCT	
DR.:	32---	Donated Property
Cr.:	72000	Recapture of Donated Property

To recapture expenses and depreciation charges on assets originally received as donations.

Source: FPI Form 13

JOURNAL ENTRY 7

	ACCT	
DR.:	1301-	Raw Materials and Supplies
	1601-	Machinery And Equipment
	160--	Construction (Use appropriate account.)
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	65---*	Other Expense
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
Cr.:	23000	Transportation Expense Payable

To record transportation costs for the month.

Source: Transportation Reserve Register

NOTE: It is preferable to charge transportation costs on incoming items to a particular material, supply item, or piece of equipment; however, where the amount is small, or it is impractical to charge an asset account, it may be charged to expense. All charges shall be made to General Subsidiary Accounts 2--, Travel Expense, or 4-- shipping & transportation, as applicable.

* - Subsidiary account required.

JOURNAL ENTRY 7A

	ACCT	
Dr.:	23000	Transportation Expense Payable
Cr.:	74000	Other Income

To write off transportation items for billing that was not received.

Source: Periodic review of open transportation items as documented on Journal Voucher.

JOURNAL ENTRY 8

	ACCT	
Dr.:	13010	Raw Materials and Supplies
	13030	Defective Materials
	14010	Materials in Process
	15020	Outside Purchases
	1601-	Machinery and Equipment
	16030	Buildings and Improvements
	160--	Construction (Use appropriate account.)
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	65---*	Other Expense
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
	84000	Extraordinary Losses
Cr.:	14040	Work in Progress at Finisher
	16020	Accumulated Depreciation, M&E Inventory
	22000	Unvouchered Receipts

To record tangible property received for the month at values net of discounts allowed. Include direct issues of raw material into production through Account 14010, Material in Process. Account 13030, Defective Materials, is used for raw material receipts that do not meet procurement specifications.

Source: Receiving Report Register.

* - Subsidiary account required.

JOURNAL ENTRY 8A

	ACCT	
Dr.:	1301-	Raw Materials and Supplies
	13030	Defective Materials
	15010	Finished Goods Manufactured
	54000	Abnormal Costs
Cr.:	51000	COS-Other Government Agencies
	52000	Cost of Transfer Sales

To record return of tangible property from customers as unacceptable. Those requiring limited cost of rework are charged to Finished Goods. Those requiring substantial rework, charged as Defective Materials (Account 13030), at the Quality Assurance valuation with the projected loss charged to Account 54000, Abnormal Costs.

Source: Receiving Report Register and Quality Assurance Defective Work/Scrap Report FPI Form 31.

NOTE: Journal Entry 22B is required to record sales return and accounts receivable write-off. If the receivable has been paid, record as a liability for bailment material (See Section 8506).

JOURNAL ENTRY 8B

	ACCT	
Dr.:	13010	RM&S-Donated
	1601-	M&E
	16030	Buildings & Improvements
Cr.:	32010	Donated Property-Current Year

To record receipt of property from other government agencies, without exchange of funds, at fair market value.

Source: Board of Survey

JOURNAL ENTRY 8C

	ACCT	
Dr.:	12020	Travel Advances
	14010	Materials in Process
	14020	Labor in Process
	22000	Unvouchered Receipts
	23000	Transportation Expense Payable
	26000	Contingent Annual Leave
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	65---*	Other Expense
	83000	Inmate Performance Pay
Cr.:	21500	Vouchered Receipts

To recognize the establishment of vouchers for payment.

Source: Upon receipt of both a FPI Form 11, Receiving Report, and an invoice, a voucher will be established by an approving official. This enters a payment due date into the aging process and allows tracking of vouchers through final certification and payment.

JOURNAL ENTRY 8D

	ACCT	
Dr.:	21500	Vouchered Receipts
Cr.:	21000	Vouchers in Transit

To record the certification of vouchers for payment.

Source: Vouchers which have been passed for payment by the certifying officer. Normally, these will be vouchers which have been in the Vouchered Receipts, 21500, Account and are scheduled for payment under the Prompt Payment Act.

JOURNAL ENTRY 9

	ACCT	
Dr.:	11020	Cash-Special Deposits
	12020	Travel Advance (for scheduled advances)
	13010	Raw Material and Supplies (may require a credit entry)
	14010	Materials in Process
	14020	Labor in Process
	1601-	Machinery and Equipment
	160--	Construction (Use appropriate account.)
	22000	Unvouchered Receipts
	23000	Transportation Expense Payable
	26000	Contingent Annual Leave
	27000	Accounts Payable Deferred
	61---*	Actual Overhead
	63---*	Selling Expense (see note below)
	64---*	Pre-Industrial Training
	65---*	Other Expense
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
	73020	Cost of Reimbursable Services
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
	83000	Inmate Performance Pay
	84000	Extraordinary Losses
Cr.:	11010	Cash-Operating
	12020	Travel Advances (for settled advances)
	1601-	Machinery & Equipment
	160--	Construction (Use appropriate account.)
	21000	Vouchers In-Transit
	25000	Special Deposits Payable
	61---*	Actual Overhead
	63---*	Selling Expense (see note below)
	64---*	Pre-Industrial Training Expense
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense

JOURNAL ENTRY 9 (Continued)

ACCT	
81---*	Vocational Training-Regular
82---*	Vocational Training-Experimental

To record approved vouchers passed for payment for the month, including biweekly civilian payroll. (Deductions for reservation housing is to be remitted to BOP monthly and reversed through JE 13.) Those initially recorded to unvouchered receipts may require a debit or credit to an asset or expense account to adjust for actual payments. Interest Paid or Discounts Lost should be charged to subsidiary accounts, 730-- and 742, respectively.

Source: Summary of Voucher Register

NOTE: Sub-Account 63410, Shipping Cost Billed to Customers, should be charged with UNICOR vehicle expenses related to transportation of customer products both incoming (products to be refurbished) and outgoing.

* - Subsidiary account required.

JOURNAL ENTRY 9A

	ACCT	
DR.:	16020	Accumulated Depreciation, M&E Inventory
	16040	Accumulated Depreciation, B&I
CR.:	13010	Raw Materials and Supplies
	14---	Work in Process
	15---	Finished Goods
	1601-	Machinery and Equipment
	16030	Buildings and Improvements
	21000	Vouchers in Transit

Upon discontinuing a factory, a product line, or a method of operation, record value of nontransferable assets. (Disposal of previously donated property, see JE 27). In addition, record expenditures involved in the liquidation process.

Source: Board of Survey valuations, General Ledger account balances, and Voucher Register.

JOURNAL ENTRY 9B

	ACCT	
DR.:	22000	Unvouchered Receipts
Cr.:	28000	Bailment Liability

To record the value of Government Furnished Property (bailment property) received during the month.

JOURNAL ENTRY 10

	ACCT	
DR.:	14020	Labor in Process (see note below)
	160--	Construction (Use appropriate account.)
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
	83000	Inmate Performance Pay
Cr.:	24000	Accrued Expenses

To set up accrued expense (payrolls, utilities, etc.) at the end of the month.

Source: FPI Form 21 for inmate payroll, computations based on prior month's activity, specific support documents, etc.

NOTE: Use only when it is necessary to accrue inmate payrolls.

Upon automation, additional Journal Entry is necessary.

* - Subsidiary account required.

JOURNAL ENTRY 11

	ACCT	
Dr.:	24---	Accrued Expenses
Cr.:	14020	Labor in Process
	160--	Construction Control (Use appropriate account.)
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
	83000	Inmate Performance Pay

To reverse accruals (payrolls, etc.) set up at close of last month and monthly accruals set up for quarterly transfer to Resources Division.

Source: Prior month JE 10.

Upon automation, additional Journal Entry is necessary.

* - Subsidiary account required.

JOURNAL ENTRY 12

	ACCT	
Dr.:	12030	Public Billings
	13---	Raw Materials and Supplies
	14010	Materials in Process
	15020	Outside Purchases
	1601-	Machinery and Equipment
	160--	Construction (Use appropriate account.)
	54000	Abnormal Costs
	61---*	Actual Overhead
	63---*	Selling Expense (see Note 1)
	64---*	Pre-Industrial Training
	65---*	Other Expenses
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
Cr.:	13010	Raw Materials and Supplies (see Note 2)
	13020	Shopstock
	13030	Defective Materials
	14010	Materials in Process (see note 3)
	15010	Finished Goods Manufactured (see note 3)

To record inventory items issued for the month.

Source: Summary of Requisition Register.

NOTE:

1. Inventory items used as samples, promotional items, etc.

2. Includes completed component parts of a product issued for sale. Materials must be processed through Work in Process and Finished Goods or Cost of Miscellaneous Sales.

3. Excess inventories returned to Raw Materials and Supplies Inventory.

* - Subsidiary account required.

JOURNAL ENTRY 12A

	ACCT	
Dr.:	53020	Inventory Overages/Shortages
	6532-	Other Expense/Damaged/Obsolete Property
Cr.:	7102-	Cost of Miscellaneous Sales

To record adjustments on inventory/equipment transfers to other UNICOR locations.

Source: Adjustments determined from FPI Form 5 documentation from another UNICOR function.

JOURNAL ENTRY 13

	ACCT	
Dr.:	21000	Vouchers in Transit
	25000	Special Deposits Payable
	27000	Accounts Payable Deferred
Cr.:	11---	Cash

To record payments by Disbursing Officer for the month, including payment from the special deposits account.

Source: Disbursement Register

JOURNAL ENTRY 14

	ACCT	
Dr.:	11010	Cash-Operating
Cr.:	27000	Accounts Payable Deferred
	74000	Other Income

To record check cancellations either as (1) deferred with further research required to effect payment, or (2) those determined as payment impossible with their value credited to Other Income.

Source: Disbursement Register, Check cancellations documentation.

JOURNAL ENTRY 16

	ACCT	
Dr.:	61---*	Actual Overhead
	64---*	Pre-Industrial Training
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
Cr.:	16020	Accumulated Depreciation, M&E Inventory
	16040	Accumulated Depreciation, B&I

To set up depreciation charges for the month.

Source: Depreciation expense schedule from FPI Form 13.

* - Use subsidiary account 371 or 372, Depreciation, M&E Inventory or 373, Depreciation, B&I as applicable.

JOURNAL ENTRY 17

	ACCT	
Dr.:	14030	Overhead in Process
	160--	Construction (Use appropriate account)
Cr.:	62000	Overhead Expense Applied

To charge work in process and construction, if applicable, with applied overhead expenses incurred for the month.

Source: FPI Form 9 as summarized in the FPI Form 51.

NOTE: The difference between Account 62000 (Credits) and total overhead expenses for the month provides an overhead variance (may be a debit or credit amount) for Income Statement presentation purposes.

* - Subsidiary account required.

JOURNAL ENTRY 18

	ACCT	
Dr.:	13010	Raw Materials and Supplies
	15010	Finished Goods Manufactured
	53010	Inventory Valuation Write-off
	54000	Abnormal Cost (Credit if rework cost is less than estimate)
Cr.:	14010	Materials in Process
	14020	Labor in Process
	14030	Overhead in Process

To record cost of completed production for the month, adjustments for costs in excess of 95% of selling price for items retained in finished goods inventory, and production of rework activity for the month. Finished goods charges for rework shall be limited to the original cost of sales for the reworked jobs. Also includes completed parts, such as chair arms returned to Raw Materials and Supplies. See JE 21C for selling price adjustments on items placed in Finished Goods during prior months. Source: Finished Goods Register.

NOTE: Account 54000, Cost of Sales, Abnormal Costs, is used for rework cost variations from the estimates reported on Quality Assurance "Defective Work/Scrap Report", FPI Form 31. (See JE 8A)

JOURNAL ENTRY 18A

	ACCT	
Dr.:	14040	Work in Process at Finisher
Cr.:	14010	Materials in Process
	14020	Labor in Process
	14030	Overhead in Process

To record items in Work in Process shipped to a finisher.

Source: Advice of Shipment.

JOURNAL ENTRY 19

	ACCT	
Dr.:	16020	Accumulated Depreciation, M&E Inventory
	22000	Unvouchered Receipts
	51000	Cost of Sales-Other Government Agencies
	52000	Cost of Transfer Sales
	7102-	Cost of Miscellaneous Sales
Cr.:	13010	Raw Material and Supplies
	13030	Defective Materials
	15010	Finished Goods Manufactured
	15020	Outside Purchases
	1601-	Machinery and Equipment

To record cost of inventory or equipment withdrawn for the month for sale to other agencies or for sale or transfer to other UNICOR operations. Also used for return of defective goods to vendor.

Source: Shipping Orders and Cost of Sales Register.

JOURNAL ENTRY 19A

	ACCT	
Dr.:	15010	Finished Goods Manufactured
Cr.:	51000	Cost of Sales-Other Government Agencies
	7102-	Cost of Miscellaneous Sales

To reverse erroneous SIBAC billing.

Source: SF 238, SIBAC Adjustment Voucher for Chargebacks.

JOURNAL ENTRY 20

	ACCT	
Dr.:	61---*	Actual Overhead
	64---*	Pre-Industrial Training
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
Cr.:	61---*	Actual Overhead
	64---*	Pre-Industrial Training
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental

To record portion of expense redistributed within the industry for the month. Applicable to industries that maintain expense accounts for separate departments. Expense items are accumulated in one department and pro-rated among departments on the basis of a predetermined distribution formula.

Source: Annual distribution schedule or formula as developed in accordance with the provision of Section 8506, paragraph 605.

* - Subsidiary account required.

JOURNAL ENTRY 21

	ACCT	
Dr.:	1601-	Machinery and Equipment
	16020	Accumulated Depreciation, M&E Inventory
	16040	Accumulated Depreciation, B&I
	32---	Donated Property
	61325	Production Expense/Damaged/Obsolete Property-Fixed Assets (Credit if gain)
	65325	Other Expense/Damaged/Obsolete Property-Fixed Assets (Credit if gain)
	7102-	Cost of Miscellaneous Sales
Cr.:	1601-	Machinery and Equipment
	16030	Buildings and Improvements

To record survey of fixed-asset items (donated or purchased) for trade-in, sale, or scrap.

Source: Board of Survey documentation providing authority for disposal.

JOURNAL ENTRY 21A

	ACCT	
Dr.:	16020	Accumulated Depreciation, M&E
	16040	Accumulated Depreciation, B&I
	32---	Donated Property
	84000	Extraordinary Losses
Cr::	1601-	Machinery and Equipment
	16030	Buildings and Improvements

To record valuation loss on fixed-asset items due to catastrophic damage.

Source: Board of Survey documentation authorizing abandonment.

JOURNAL ENTRY 21B

	ACCT	
Dr.:	32---	Donated Property
	84000	Extraordinary Losses
Cr.:	13010	Raw Materials and Supplies
	13020	Shopstock
	14---	Work in Process
	15---	Finished Goods

To record inventory losses due to catastrophic event such as fire, flood, wind, riot, etc.

Source: Documentation reporting the loss and valuation of that loss.

JOURNAL ENTRY 21C

	ACCT	
Dr.:	53010	Inventory Valuation Write-off
Cr.:	15---	Finished Goods

To record adjustment of Finished Goods inventory to 95% of sales price.

Source: Review of goods in Finished Goods Inventory.

JOURNAL ENTRY 22

	ACCT	
Dr.:	12---	Accounts Receivable
	27000	Accounts Payable Deferred
	41020	Returns and Allowances, Government Sales
	42020	Returns and Allowances, Transfer Sales
Cr.:	12---	Accounts Receivable
	41010	Sales-Other Government Agencies
	63410	Selling Expense/Shipping Cost Billed to Customer
	63420	Selling Expense/Shipping Cost Not Billed to Customer
	63430	Selling Expense/ Other Freight, Express and Parcel Post
	73---	Reimbursable Services

To record billings, including shipment of reworked items, for the month of_____, per summary of Collection Bill Register. Credit memos for the physical return of goods and allowances granted to customers shall be charged to Account 41020 or 42020, Returns and Allowances, Government Sales, or Transfer Sales, respectively. Credit memos issued because of errors in billings shall be considered contras to the billings, and shall reduce the total credit to Sales. A debit in Accounts Payable Deferred as applies to disclosed bailment stock shortages that is credited on customer invoice.

Source: Collection Bill Register.

NOTE: Other Expense Account 63410 is credited for freight paid by UNICOR and billed to customer, and for cost of transportation supplied by UNICOR vehicles and billed to customers.

JOURNAL ENTRY 22A

	ACCT	
Dr.:	12030	Public Billings
	7102-	Cost of Miscellaneous Sales
Cr.:	13040	Scrap at net realizable value
	160--	Construction (Use appropriate account.)
	63---*	Selling Expense
	71---	Miscellaneous Sales

To record sale of scrap, removal from scrap inventory and charge to cost of miscellaneous sales. Record sale of surveyed fixed-asset items as scrap, as directed by Board of Survey action. (See JE 21 for cost of sale). Credit Construction, 160--, for excess material returned to the supplier for credit. Record estimate of refunds due on unused transportation tickets returned for credit.

Source: Collection Bill Register.

NOTE: Adjustment of estimate to actual will be made as part of JE 5 upon receipt of refund. Use subsidiary account 2--, Travel Expense, for unused transportation tickets.

* - Subsidiary account required.

JOURNAL ENTRY 22B

	ACCT	
Dr.:	41030	Sales Return for Rework, Government Sales
Cr.:	12010	Government Billings
	12040	Unbilled Receivables-Current
	27000	Accounts Payable Deferred

To record return of sales for rework. If not paid for, credit the appropriate account in Accounts Receivable, and, if paid for, credit Accounts Payable Deferred, 27000.

Source: Credit memorandum identifying amount credited to customer.

NOTE: See JE 8A for recording of products returned by customers for rework.

JOURNAL ENTRY 23

	ACCT	
Dr.:	65760	Other Expense/Bad Debt Expense
Cr.:	12---	Accounts Receivable

To write off uncollected accounts receivable after collection effort confirmation.

Source: Approving official's certification that the amount is uncollectible.

JOURNAL ENTRY 24

	ACCT	
Dr.:	16030	Building and Improvements
Cr.:	1605-	Construction - Current Year (Use appropriate account.)
	1606-	Construction - Prior Year (Use appropriate account.)

To close construction account upon completion of construction, or to summarize Start-Up and Prototype Costs upon completion of their respective projects.

Source: Final construction or project report, or other supporting data having accepted approvals.

JOURNAL ENTRY 25

	ACCT	
Dr.:	160--	Construction (Use appropriate account.)
	61---*	Actual Overhead
	64---*	Pre-Industrial Training
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
Cr.:	26000	Contingent Annual Leave

To record increase in annual leave over previous fiscal year per comparative schedule of accumulated leave dated September 30. For decreases, reverse entry.

Source: Annual computation schedule of each employees leave balance to establish Contingent Annual Leave balance as of fiscal year-end.

* - Use subsidiary account 118, Contingent Annual Leave.

JOURNAL ENTRY 26

	ACCT	
Dr.:	xx32-	Inventory Overages/Shortages/ Damaged/Obsolete Property
Cr.:	14010	Materials in Process
	14020	Labor in Process
	14030	Overhead in Process
	15---	Finished Goods
	1601-	Machinery and Equipment

To record inventory and equipment shortages as the result of physical inventories (contra entry if overages; copy of the Journal Entry shall be sent to the Washington Office). This entry is also used for write-off of damaged or obsolete items that have not been processed through allowance for damage/ obsolescence procedures. (See JE 26B and 26C.)

Source: Summary physical inventory sheets.

NOTE: Review and analysis of physical inventory overages and shortages must be made prior to making adjustments. If the overages and shortages can be related to a specific production job or process, the adjustments should be made to the pertinent costs of production for those jobs or processes. This analysis should consider jobs in process, those related to finished goods, and those related to prior shipments. The applicable inventory summary shall list all overages and shortages discovered during the inventory.

JOURNAL ENTRY 26A

	ACCT	
Dr.:	14010	Materials in Process
	6132-	Production Expense/Damaged/Obsolete Property
	6532-	Other Expense/ (a) Damaged/Obsolete Property
Cr.:	13---	Raw Material and Supplies
	27000	Accounts Passable Deferred

To record inventory adjustment of shortage of Raw Materials and Supplies (contra entry if overage; copy of the Journal Entry shall be sent to the Washington Office). The Accounts Payable Deferred Account is used for recognized shortages in Bailment Property Inventory. This entry is also used for the write-off of damaged or obsolete inventory items.

Source: Summary of physical inventory sheets.

NOTE: On direct material adjustments, in addition to JE 26A, JE 26 will be necessary to charge the adjustment to Finished Goods or Cost of Sales, depending on whether the item has been cleared to Finished Goods or sold.

(a) - Charge to Other Expense shall be accomplished after approval of the Resources Division.

JOURNAL ENTRY 26B

	ACCT	
Dr.:	6132-	Production Expense/Damaged/Obsolete Property
	6532-	Other Expense/Damaged/Obsolete Property-Fixed Assets
Cr.:	13050	Allowance for Obsolete RM&S Inventory
	15040	Allowance for Obsolete Finished Goods Inventory
	16013	Allowance for Obsolete M&E Inventory

To record Central Office-directed allowances for damaged/obsolete property items (Inventory and Machinery and Equipment) on hand.

Source: Memorandum from the Central Office based upon physical inventory submissions to the Central Office or other documentation identifying obsolete property.

NOTE: Copy of the Journal Entry shall be sent to the Washington Office.

JOURNAL ENTRY 26C

	ACCT	
Dr.:	12030	Public Billings
	13050	Allowance for Obsolete PM&S Inventory
	15040	Allowance for Obsolete FG Inventory
	16013	Allowance for Obsolete M&E Inventory
	16020	Accumulated Depreciation M&E Inventory
	53020	Inventory Overages/Shortages
	65---*	Other Expense
Cr.:	13---	Raw Material and Supplies
	15010	Finished Goods Manufactured
	15020	Outside Purchases
	1601-	Machinery and Equipment
	6132	Production Expense/Damaged/Obsolete Property (see note below)
	6532-	Other Expense/Damaged/Obsolete Property

To record the disposal of property for which an allowance for obsolescence has been established. Disposition procedures include Board of Survey directed disposition as surplus property, sale as scrap, or use in production at reduced values.

Source: Disposal documentation such as shipping orders, invoices, and reports of Board of Survey.

NOTE: May be a debit entry dependent upon applicable allowance for damage/obsolescence.

* - Subsidiary account required.

JOURNAL ENTRY 26D

	ACCT	
Dr.:	54000	Abnormal Costs
Cr.:	13020	Shopstock

To record monthly inventory shortage of shopstock used in process cost system.

Source: Monthly physical inventory.

JOURNAL ENTRY 27

	ACCT	
Dr.:	16020	Accumulated Depreciation, M&E Inventory
	16040	Accumulated Depreciation, B&I
	32---	Donated Property
Cr.:	13010	Raw Materials and Supplies
	1601-	Machinery and Equipment
	16030	Buildings and Improvements

To record property items donated to non-UNICOR activities that were originally donations to UNICOR.

Source: Board of Survey, General Ledger Accounts, and FPI Form 13.

JOURNAL ENTRY 31

	ACCT	
Dr.:	33010	WC-Prior Years Balance
	41010	Sales-Other Government Agencies
	42010	Transfer Sales
	62000	Overhead Expense Applied
	71---	Miscellaneous Sales
	72000	Recapture of Donated Property Expense
	74000	Other Income
Cr.:	33010	WC-Prior Years Balance (may require a debit entry)
	41020	Returns and Allowances, Government Sales
	41030	Sales Return for Rework, Government Sales
	42020	Returns and Allowances, Transfer Sales
	42030	Sales Return for Rework, Transfer Sales
	5----	Cost of Sales
	61---*	Actual Overhead
	63---*	Selling Expense
	64---*	Pre-Industrial Training
	65---*	Other Expense
	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense
	7102-	Cost of Miscellaneous Sales
	81---*	Vocational Training-Regular
	82---*	Vocational Training-Experimental
	83000	Inmate Performance Pay
	84000	Extraordinary Losses

To close nominal accounts for the fiscal year. Accounts may require a reverse entry to that shown. (A copy of this Journal Entry shall be sent to the Washington Office with the September 30 statements).

Source: Working trial balance, FPI Form 1.

* - Subsidiary account required.

JOURNAL ENTRY 32

	ACCT	
Dr.:	33020	WC-Cash Transfers
	33030	WC-Tangible Asset Transfer
	33040	WC-Transfer Billings
Cr.:	33010	WC-Prior Years Balance

(For field location use only)

To close Washington Control Accounts into Washington Control Prior Years balance. Accounts may require a reverse entry to that shown. (Copy of this Journal Entry shall be sent to the Washington Office with the September 30th statements).

Source: General Ledger Accounts

JOURNAL ENTRY 33

	ACCT	
Dr.:	160--	Construction - Prior Years (Use appropriate account)
	32020	Donated Property - Prior Years
Cr.:	160--	Construction - Current Year (Use appropriate account.)
	32010	Donated Property - Current Year

To transfer current year's balance at fiscal year end to prior year

Source: General Ledger Accounts.

JOURNAL ENTRY 40

	ACCT	
Dr.:	33010	WC-Prior Year Balance
Cr.:	66---*	Support Division Expense
	67---*	Product Division Expense
	68---*	Corporate Expense

To close Division and Corporate expense accounts at fiscal year end

Source: General Ledger Accounts

* - Subsidiary account required.

JOURNAL ENTRY 41

	ACCT	
Dr.:	33010	WC-Prior Years Balance
Cr.:	33020	WC-Cash Transfer
	33030	WC-Tangible Asset Transfers
	33040	WC-Transfer Billings
	34020	Cumulative Results of Operations-Current FY

(For Washington Office use only)

To close subsidiary Washington Control Accounts 33020 thru 33040 into 33010, and record field location Profit and Loss for the year into corporate Profit and Loss.

Source: Central Office General Ledger Accounts and copies of field location's JE 32.

NOTE: Accounts may require a reverse entry to that shown.

JOURNAL ENTRY 43

	ACCT	
Dr.:	34020	Cumulative Results of Operations-Current FY
Cr.:	34010	Cumulative Results of Operations

(For Washington Office use only)

To close Cumulative Results of Operations-Current Period, Account 34020, at fiscal year end.

Source: General Ledger Accounts

NOTE: Accounts may require a reverse entry to that shown.

JOURNAL ENTRY 44

	ACCT	
Dr.:	34030	Dividends Paid U.S. Treasury
Cr.:	11010	Cash-Operating

(For Washington Office use only)

To record periodic distribution to the U.S. Treasury.

Source: Board of Directors Corporate minutes and UNICOR's Disbursement Voucher.

SECTION 8503

INTERNAL CONTROL

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INTERNAL CONTROL

100. INTRODUCTION

The Budget and Accounting Act of 1950 places responsibility for establishing and maintaining adequate systems of internal control upon the head of each executive agency. It also prescribes that accounting systems conform to the accounting principles, standards, and related requirements prescribed by the Comptroller General of the United States and that the systems be approved by him. Those principles, standards, and related requirements include criteria for effective internal control systems. The Financial Integrity Act of 1980 specifies that the head of each executive agency designated by the Office of Management and Budget will be required to submit annually, to the President, a report on the adequacy of their agency's system of internal accounting and administrative controls. The Act requires a report on those controls which are designed to provide reasonable assurance that the following control objectives are achieved:

1. All obligations and costs were in compliance with applicable law;

2. All funds, property and other assets were safeguarded against waste, loss, unauthorized use or misappropriation and were properly accounted for; and

3. All revenues and expenditures applicable to agency operations were properly recorded in appropriate accounts and summarized to permit the preparation of reliable financial and statistical reports.

UNICOR internal control systems will be designed to be responsive to the requirements of the Budget and Accounting Act of 1950 and the Financial Integrity Act of 1980.

101. DEFINITION

The system of internal control in UNICOR is considered as supportive to management in its larger effort of achieving UNICOR goals and objectives. The system consists of all methods used for the purpose of (1) encouraging and measuring compliance with UNICOR policy, (2) safeguarding assets against waste, fraud and mismanagement, (3) promoting accuracy, reliability and timeliness of accounting and operational data, and (4) judging the efficiency of operations in all areas of the Corporation. As indicated by the definition, the internal control system is more than a method for the prevention of fraud or the detection of accounting errors. The scope of the internal control system extends beyond accounting and financial functions and includes all Corporate operations including production, warehousing, shipping, quality assurances, and various training programs.

102. COMMON CONTROL TECHNIQUES

The following control techniques are common to any effective internal control system and must be apart of all UNICOR internal control systems:

1. Documentation. Internal control procedures, policies, authorities and responsibilities must be clearly and adequately documented. Once documented they should be available to personnel involved in their execution. Documentation usually takes the form of operations manuals and organization charts which describe and depict the role and responsibilities of all individuals engaged in the control system. Not only does proper documentation provide assurance that the method of, and responsibility for, following procedures is clearly communicated it is often a valuable tool in training new employees. Effective documentation must include a process for incorporating system changes and communication of those changes to user personnel. That process must include management approval of all system changes.

2. Segregation of Duties. Segregation of duties is accomplished through well-documented and communicated organizational structures. Clearly established lines of authority and responsibilities should be provided for each operating activity (UNICOR corporate, division and field location program/entity). Position descriptions must be designed to clearly define those authorities and responsibilities. Assigned authorities and responsibilities should include requirements for compliance with UNICOR regulations and policies and should establish the basic requirements for acceptable performance. The planned process for evaluating the quality of performance should be effectively described in those position descriptions.

In order to provide an effective internal control system, the organizational structure must be designed to keep personnel from taking advantage of their assigned responsibilities and authority. No individual or small group of individuals should be in a position to control all aspects of a transaction. Responsibilities should be segregated and tasks so structured that one individual or group of individuals does not perform more than one "key" processing function or activity such as authorizing, approving, certifying, accounting, or disbursing. This involvement of various knowledgeable individuals in the processing of transactions is essential to assure the integrity and reliability of that process.

3. Qualified Continuous Supervision. Qualified and continuous supervision is essential to an effective system of internal accounting and administrative control. Strict adherence to established procedures is necessary to assure agency management that desired internal control procedures are being applied to safeguard the resources of the agency.

4. Competent Personnel. Personnel should be competent by education, training and experience, to execute the control responsibility to which

they are assigned. Unless personnel are technically qualified to execute the responsibilities of the positions they hold, agency heads cannot expect the effective execution of control policies and procedures. (See Sections 8050 and 8051 "Staff Development, UNICOR" AND "UNICOR Training Program" respectively.)

5. Planning. An agency's planning process should provide an effective internal control element. Well-defined goals and objectives establish the parameters within which agency personnel must operate and include clearly identifiable and measurable performance expectations for evaluation purposes. In addition, cash projections, inventory stock level requirements, facility and personnel projections, and sales order planning to provide a basis for evaluating the effectiveness of internal controls in those areas. It is essential that plans effectively challenge operating personnel without being unrealistic or unreasonable. The planning process must include requirements for management review and evaluation of accomplishments in relation to expectations. Such analytical reviews should lead to recommendations for corrective action and follow-up to assure responsiveness and to prevent recurrence of any noted deficiencies. (See Section 8030 "FPI Corporate Panning".)

6. Preservation and Safekeeping of Property and Records. Policies and procedures must be developed and implemented to prevent theft and loss or misuse of Government property and records. Generally, procedures should include physical security of accounting records, negotiable instruments or securities, and other assets of the agency. Accordingly, procedures should be employed to ensure that appropriate recordkeeping and adequate retention procedures exist and are followed.

7. Systemized Financial and Cost Accounting. Effective financial and cost accounting systems design includes requirements for adequate control over assets, liabilities, revenues, costs and expenses. The design must be predicated upon accrual basis accounting with revenues, costs and expenses charged to periods of usage, such as the cost of capital assets allocated to periods in which their use produces revenues. UNICOR planning must be so devised that actual operating results can be measured against predetermined expectations. Analysis and evaluation of resultant deviations may disclose breakdowns within the internal control system. Such deviations must be investigated and breakdowns corrected as necessary in a timely fashion. Effective managerial reactions are dependent upon sophisticated development of meaningful and realistic expectations.

Properly completed forms, reports and analysis of the cost accounting system provide an additional internal control feature in that operating results are further summarized by specific jobs or processes. Pre-determined standards are established for each job or process and must be subsequently compared with actual costs upon completion. Such comparisons will disclose variances. Analysis and evaluation of significant variances should identify the causes of any breakdown in internal controls. Cost accounting provides the detailed information for this purpose. Corrective action can then be taken to prevent recurrence. (See Section 8506 "Costs"). Well defined audit trails are an essential to good systems design. Entries for all transactions should be traceable from originating document to financial report data. Similarly, total amounts in financial reports should be traceable back through the General Ledger

accounts and books of original entry to source documents.

8. Financial and Cost Reports. Periodic financial and cost reports should provide supervisors and operating managers with data that can be used to evaluate the internal control system. The dollar amounts in cost variance accounts are indicators of the degree of breakdown in planning, assembly of costs or management efficiency. Inventory write-offs provide indicators of the degree of breakdown in inventory controls. Accuracy is essential in all these reports, and top management officials must assure that the data received can be and is used to evaluate the internal control system. Management officials should periodically review report format design to assure that reports meet management needs and obsolete reports are eliminated. (See Section 8540, Reports, Forms and Records, for specific UNICOR reports and their proposed usage.)

9. Quality Assurance. Quality Assurance programs should be designed to identify deficiencies in materials received or deficiencies occuring in the production process. Appropriate recommendations should be made for correcting production deficiencies and preventing their recurrence. Faulty materials from suppliers should be rejected and returned promptly. Each location superintendent must establish an effective quality assurance program and continually review its operational effectiveness as prescribed by UNICOR. (See Section 8340 "Quality Assurance Program, UNICOR")

10. Internal Audit and Management Review Programs. Continuous monitoring of policies, procedures and practices related to production, fiscal and accounting activities through internal audit and management reviews is essential to an effective internal control system. Where appropriate, reviews should include examining and testing of transactions. Follow-up procedures should exist to assure compliance with audit and management review recommendations. Timely corrective action is essential to an effective internal control system. (See paragraph 106 for UNICOR's specific requirements.)

103. UNICOR INTERNAL CONTROL SYSTEM

UNICOR's system of internal control is designed to include the common control techniques noted above. Since UNICOR industrial activities are so varied, each location must devise its own system of internal control incorporating to the extent possible the following common control technique:

1. Document Control. An effective internal control system must include effective procedures for document control throughout the origination development, approval, review and recording process. Document control includes accuracy of figures, prevention of oversights and an assurance of propriety of all actions being taken. The principle of double check of all work accomplishments shall be used to the fullest extent possible.

2. Segregation of Duties. Organizational structures must be designed

so that no individual is in a position to control all aspects of a transaction. For example:

a. Accounts receivable clerks should not be involved in the receipt of cash items.

b. Procurement personnel should not be involved in the disbursement or receiving process.

c. Production personnel should not be participates in inventory storage or issue activity.

d. Receiving clerk activities should be separated from the procurement function, stock control recordkeeping and receipt of supplier invoices.

e. Accounts receivable clerks should not have an authority to write-off accounts receivable.

f. Stock record clerks should not have an authority to adjust inventory records without supervisor approved documentation.

g. Physical inventories should not be taken by personnel who are immediately responsible for physical or recordkeeping control of the inventory. However, knowledgeable personnel may be used when necessary to asset in the identification of inventory items.

h. Inmate to inmate handling of accounting documents should be avoided if at all possible.

Segregation of duties among available personnel is designed to provide integrity and reliability of results in the processing of UNICOR transactions.

3. Classification of Transactions. Classification of transactions as to accounting code and object class shall be annotated on all procurement documents in accordance with an established chart of accounts. Annotations are made by the originator of the transaction. Such annotations are then reviewed and verified by accounting personnel. The established chart of accounts must be designed to meet management needs for information and be well-communicated among operational personnel to assure consistency in the classification of transactions. (See Section 8501 "Chart of Accounts").

4. Journal Entries. Standard and special journal entries are drawn by location accountants subject to Business Manager approval to assure that the action being taken is proper and necessary. (See Section 8502 "Journal Entries").

5. Reconciliation of Subsidiary Records. A process of periodic reconciliation of subsidiary or other support records with control accounts or financial records must be included as part of UNICOR's internal control

system. The following are examples of the type of reconciliations that should be made:

a. An accountant shall be responsible for monthly reconciliation of cash and SIBAC transactions in the general ledger with the monthly Standard Form 224 (Statement of Transactions).

b. Location accountant shall make postings to accounts in the general ledger, after a double check of amounts against two or more sources, if possible. Example: cash collections would come from adding machine lists of checks received, total of Register of Remittances Received and total of credits to accounts receivable. Similar checks would be made for the SIBAC system which utilizes funds transfer instead of cash.

c. The accounting technician responsible for maintaining the stock record cards shall verify inventory balances by comparison of stock card balances with balances shown on requisitions. Balances of stock record cards should be totalled and reconciled monthly with the General Ledger accounts. (See section 8509 "Inventory").

d. The location accountant must assure that all General Ledger accounts are reconciled each month by adding machine tapes of subsidiary record open items or documents.

6. Undistributed Expenses. Procedures must be established for the accumulation of temporarily undistributed expenditures and a process developed for timely and fair distribution of those expenditures to appropriate programs, functions or activities. For example, the Superintendents salary rarely can be assigned to a specific job or process. Therefore, that salary along with other items is initially recorded as an undistributed expense. Accumulated totals of such expenditures are then distributed monthly on a predetermined allocation formula to operating activities. (See UNICOR cost accounting manual paragraph #605).

7. Financial and Cost Statements. Accurate and meaningful financial and cost statements and reports must be periodically supplied and be responsive to management needs. All reports and financial statements shall be examined, and initialed by an accountant and signed by both the Superintendent of Industries and the Business Manager, or the person(s) acting in their place. All reports are to be taped after typing. Requirements must be established for effective use of these statements and reports and UNICOR supervisors must assure that such requirements are complied with. (See Section 8540 "Reports, Forms and Records").

8. Estimates or Standard Cost Comparisons. UNICOR managers must make timely and periodic comparisons of estimates or standard costs with actual expenditures to identify variances, analyze and evaluate those variances for internal control breakdowns, identify the causes of those breakdowns and recommend and implement corrective action as appropriate follow-up on recommended corrective action must be a part of each UNICOR location's internal control systems.

104. SPECIFIC CONTROL REQUIREMENTS

The following represent specific control requirements for identified segments of accounting and procurement activity:

1. Cash Receipts. Controls include requirements for safe-keeping facilities that will prevent unauthorized access to cash items and other cash control documents received or on hand. Procedures should assure that incoming mail is processed by staff members, such as the procurement officer, that are not involved with the recording or deposit of cash items. Prompt recording by accountants and deposit of cash items by the Business Manager should be assured. (See Section 8505 "Collections" for flowcharts and specific procedures).

b. Procedures should be established that assure the proper recording and documentation of all transactions involving SIBAC (Simplified Intragovernmental Billing and Collection). Business managers should assure that the SIBAC TFS Form 7306 "Paid Billing Statement for SIBAC Transactions" has been properly signed and recorded, and that all chargebacks are promptly investigated and resolved.

2. Cash Disbursements. Controls include identification of the specific documents required to support each disbursement action including the tie-in to procurement actions that led to the cash disbursement. Accounting technicians should be given the responsibility of assembling these documents and preparing voucher schedules for payment. Accountants should review and approve voucher schedules and support documents for accuracy, adequacy of document support and propriety of payment. Certifying officers are responsible for final review of all vouchers prior to certification. UNICOR will not adopt a statistical sampling method of review due to the low volume of vouchers processed at each location. Post payment review of paid vouchers on a sampling basis is required of UNICOR's management and internal audit staff. (See Section 8507 "Disbursements for flowcharts and detail description of UNICOR procedures and paragraph 106 subparagraphs 2 and 3.)

3. Accounts Receivable

a. Accounting technicians must assure that all receivables are accurately and promptly recorded. Such recordings should be based upon pre-established documentary support such as shipping orders and sales invoices.

b. Accounting technicians must assure that all receipt recordings have adequate support documentation and all receipt deviations from amount set-up are satisfactorily reconciled and adjusted.

c. Accountant should provide periodic reports of aged receivables and assure that timely collection activity has been taken.

Specific collection problems should be noted in the report.

d. Business Managers and Superintendents should review the aged receivables report, the collection action taken and provide recommendations for solution of noted collection problems.

e. Business Managers should process write-offs, conversions, settlements or forgiveness of receivables subject to delegated approval. (See Section 8505 "Collections").

f. Accountants must assure that all SIBAC transactions are properly recorded and documented, including charge-backs.

g. Accountants must assure that all SIBAC billings that are accomplished (paid) during a SIBAC billing cycle are clearly recorded as paid for the months business in which they are accomplished.

h. Business Manager must assure that prompt shipments are made (same day) when a SIBAC TFS Form 7306 "Paid Billing Statement for SIBAC Transactions" is used as a shipping order to avoid premature invoicing of goods not shipped.

4. Capital Assets and Materials Inventories

a. The Resources Division should provide instructions that provide a distinction between a capital asset and operating expenditures for accounting purposes. When necessary the Business Manager should obtain clarification from the Resources Division.

b. Superintendents should assure that only authorized and needed property is ordered.

c. Accountants should assure that all receipts of property are timely and accurately recorded. Such recordings should be based upon pre-established document support requirements and adequate control identification and responsibility assignment.

d. Accountants must assure that detailed subsidiary records are maintained for individual capital assets and significant categories of material inventories. These subsidiary records must be periodically reconciled to control accounts.

e. Business Managers must assure that periodic physical verification is made of the existence and condition of property and inventories with reliable (i.e., accurate, complete and timely) physical counts made by UNICOR personnel who are not involved with the recordkeeping, physical control or management of the property or inventory. The Business Manager must assure that the accounting records are adjusted to conform with the results of the physical verifications. (See Section 8508, "Fixed Assets", and Section 8509, "Inventory").

f. Superintendents must assure that physical security measures are commensurate with the size, type, and value of property.

g. Business Managers must assure that all issues, transfers, retirements, losses, and other variances are timely reported and accounted for. (See Section 8508 "Fixed Assets", and 8509 "Inventory".)

h. The warehousemam shall inspect all goods received and report the receipt on FPI Form 11 (Receiving Report). A quality assurance employee shall be responsible for formal inspection of the goods received noting his findings on the FPI Form 11. A second warehouseman is responsible for putting goods received into stores and updating the bin-cards. The completed FPI Form 11 is then forwarded to a business office accountant for recording the receipt on stock record cards. (See Sections 8509 "Inventory", and 8506 "Costs").

5. Payables

a. Accountants must assure that all payables and other claims against the Government are promptly and accurately recorded. Prompt recording is based upon effective implementation of UNICOR's accrual accounting system. Liabilities are established as soon as goods or services are received whether accompanied by an invoice or not. While inmate payrolls do not become a part of the accounting records until month-end, they are considered to be encumberances if all amounts owing whether paid or not are recorded at that time. Similarly, utility bills, civilian payroll accruals compensation, etc. are limited to month-end recording to facilitate the recording process while assuring that all existent payables are recorded for financial statement presentation purposes.

b. Accounting technicians must assure that recorded payables have necessary document support such as requests for purchases, purchase orders, receiving reports and invoices.

c. Accounting technicians must assure that all payables are promptly liquidated assuring that cash discounts terms are met and discounts taken or justification for not taking discounts is effectively notated on payable documents. (See Section 8507 "Disbursements").

6. Finished Goods.

a. A quality assurance employee shall inspect goods produced in accordance with local requirements and annotate the results of that inspection on an appropriate form prepared by the factory manager. The storekeeper or shipping supervisor shall receive and verify the production report when items completed and inspected are placed into finished goods. The form is then forwarded to the Business Office and the accounting technician records the addition to finished goods on an appropriate stock

card.

b. Factory Managers have a primary responsibility in the control of finished goods. Their production reports must be promptly compiled and forwarded to the Business Office to transfer completed work to finished goods inventory via a Delivery Tag (FPI Form 65) or a similar document that can be effectively controlled. Generally the Factory Manager is responsible for directing that a shipping order be prepared. That advise frequently accompanies the completed production report. However, there are instances where the Factory Manager is not in a position to advise as to when a shipment should be made such as when items are produced for stock or the contract with the customer requires that shipments be made in large quantities. In those instances the responsibility for directing that a shipment be made must be place on a location employee who is knowledgeable as to when shipments should be made, for example the Business Manager or Shipping Supervisor.

c. Shipping Orders (FPI Form 8) are compiled by an accounting technician and submitted for approval to the Business Manager. After approval by the Business Manager, Shipping Orders are forwarded to the shipping supervisor for actual shipment of that order.

d. Products must be properly packed to avoid shipping damage. Instruction labels should be attached advising the need for prompt inspection, handling of noted damage or product defects and identifications of unit responsible for payment.

e. Completed Shipping Orders are forwarded by the shipping supervisor or storekeeper to an accounting technician for recording in the Shipping Orders Register (FPI Form 7) and preparation of the customer invoice. The accounting technician tapes all invoices turned over to the accounts receivable clerk and retains those tapes for Business manager evaluation of Collection Bill Register (FPI Form 35) recordings of all items shipped.

f. Shipping supervisor must assure the prompt shipment (same day) of goods when SIBAC TFS Form 7306 is used as a shipping order to avoid premature invoicing for goods not shipped.

7. Procurement - Purchase Orders

a. Superintendents must assure that authority and limitations in the procurement process are identified and consistently followed.

b. Business Managers and procurement officers must assure that UNICOR procurement policies for initiating procurement action, screening, approval and authorization requirements, leadtime, follow-up, cross referencing, and documentation of action taken are strictly adhered to.

c. Procurement officers must maintain procurement source files and assure that they are effectively used.

d. Superintendents must assure that GSA stock items are procured to the maximum extent practicable, and that charge accounts and sole supplier usage conforms with procedural requirements. (See Section 8530 "Procurement" for specific requirements).

e. Pre-assigned and documented control numbers for contract procurements shall be assigned by the procurement officer. The assigned number for each contract procurement is designed to provide a control for all procurement, invoicing and receiving activity related to that procurement action. (See Section 8530 "Procurement").

8. Contract Procurement.

a. Superintendents must assure that their recommendations for contracting officers relate to personnel with knowledge and experience in procurement matters. Such recommendations must be transmitted to the Controller in the Resources Division for review and formal delegation of authority. Under no circumstances should a certifying officer be allowed to serve as a contracting officer.

b. Contracting officers must assure that a reasonable number of responsible bidders are solicited for each significant procurement action, thereby, providing for adequacy of competition.

c. Contracting officers must assure objective evaluation of all bids and proposals, strict compliance with contract award procedures and consistent application of administrative controls.

d. Contract monitors must assure compliance with contract terms including control over Government-furnished property and equipment to ensure that contractors are safeguarding, accounting, inventorying, preserving, maintaining, and reporting accurately the Government properties in their possession.

e. Procurement officers are responsible for prompt and appropriate contract close-out actions and coordinating such action with factory accountants.

f. Procurement officers must maintain well-documented and descriptive contract files with those being readily accessible for review and evaluation. (See Section 8530 "Procurement" for specific requirements).

9. PAYROLL

a. Superintendents must have the authority to recommend appointments, changes or termination of factory personnel including inmate laborers. Requirements should be established for the documentation required to support recommendations for personnel actions.

b. Business Managers must assure that all compensations of employees complies with current statutory, regulatory or agency limitations.

c. Department foremen, Business Managers and timekeepers must assure timely, accurate and complete attendance reporting. (See Section 8511 "Payroll" for specific control procedures).

d. Upon completion of the payroll process, the Superintendent or Acting Superintendent will sign the FPI Form 41 and 41b. This task may not be delegated.

10. Travel.

a. An accountant's review of travel vouchers and certification of travel vouchers by certifying officers must be designed to assure compliance with the Standard Government Travel Regulations. Permanent change of duty station vouchers are subject to Bureau of Prisons verification; however, UNICOR Business Managers are responsible for compilation accuracy prior to certification.

b. Business Managers must assure that controls are established and observed for issuing, recording, verifying, processing, reconciling, accounting and reporting obligations, expenditures, and disbursements for travel and transportation. (See Section 8513 "Travel and Transportation").

105. RESPONSIBILITIES, COORDINATION AND INTERNAL CONTROLS.

Corporate, division and site location management have a responsibility to provide an effective internal control system. Business Managers must assure that the internal control system functions effectively in financial areas. Records and procedures must be reviewed periodically for accuracy and for compliance with UNICOR guidelines. Factory Managers must assure that accurate and reliable operating data is reported on a timely basis and that factory personnel effectively implement all internal control features related to factory operations. The Superintendent of Industries is responsible for internal controls overall, and for coordination between the factories and the Business Office to insure timeliness of data flow and communications.

106. AUDIT PROGRAM

It is the policy of UNICOR to maintain a Corporate audit program that provides management at all levels with information to aid in achieving efficient administration and control of operations. The audit program is concerned with all phases of financial, operational and program activities rather than being limited to financial matters. Detail information as to the various audit activities related to UNICOR are explained in Section 8519 of this manual. A brief commentary concerning audit activity as

related to internal control follows:

1. External Audits.

a. GAO. The Comptroller General of the United Stated performs reviews of overall corporate activity in order to certify UNICOR's financial statement. These reviews are directed in part to the adequacy

of internal controls. Their appraisal and associated recommendations provide meaningful contributions to the process of maintaining an effective internal control system.

b. Department of Justice. The Audit Staff of the Department of Justice coordinates its audit activity with those of UNICOR's internal audit section so that a field location is not subject to an internal and an external audit in the same fiscal year. DOJ auditors strive to audit each field location every three years and Product Divisions periodically but not on a cyclical basis.

2. Internal Audits. UNICOR's Internal Audit Staff or Contract Auditors audit each location on a cyclical basis and concentrate their review on financial areas. Product Division office activities are reviewed to the extent that time can be made available. However, an audit of each Division's activity once every three years is established as an Internal Audit Staff goal. Program area reviews are accomplished to the extent that time can be made available. Related internal controls are reviewed as a part of each audit program step whether the review is of a financial or program nature.

3. Operating Management's Review Program. Operating management has a responsibility to continually review its areas of responsibility to assure compliance with UNICOR operating procedures. They will evaluate the efficiency and effectiveness of operations in meeting stated goals and objectives, and assure the validity and meaningfulness of financial and production reports. Review of program activities Field, Division or Corporate includes an evaluation of all personnel accomplishment.

107. EVALUATION AND IMPROVEMENT OF INTERNAL CONTROL SYSTEMS

OMB Circular No. A-123, "Internal Control Systems," sets standards for internal controls and directs each agency to review and update its internal control system on an ongoing basis. Congress requires the head of each agency to report to the President annually on these controls. Therefore, Corporate management must methodically assess its vulnerability to fraud, waste and abuse in each program and administrative area within each organizational component, identify the controls deemed most vulnerable and assure that such controls are effectively meeting their desired function. OMB has published applicable guidelines for control elements that must be included in any Governmental Accounting system.

Specific indications of improprieties or allegations within UNICOR are referred to the Office of Inspection, Bureau of Prisons, for investigation. Such information should be relayed to that office with any evidence of waste, fraud or abuse duly noted and made available.

SECTION 8504

INVOICING

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INVOICING

100. GENERAL

Invoicing is the process whereby a customer is billed and an account receivable is established in the General Ledger as a result of goods having been shipped or services rendered to that customer as ordered. The objectives of the invoicing process are:

1. To bill customers for goods and/or that have been shipped or supplied.

2. To assure that amounts billed are correct.

3. To record accounts receivable in a timely fashion.

4. To establish effective controls that will facilitate the collection process.

The invoicing form to be used is dependent upon the circumstances of the customer's order. (See paragraph 103 on invoicing forms for specific details.)

101. ASSIGNMENT OF INVOICE NUMBERS

Receipt of a completed Shipping Order, FPI Form 8, and Government Bills of Lading (GBL) in the accounting office initiates the invoicing process, except when the OPAC invoice TFS Form 7306 is used as a shipping order. In this instance, notification of an impending shipment of an OPAC order will start the invoice process. Items mailed do not require a GBL. The Business Manager, or a delegate, is responsible for the assignment of all invoice numbers. The invoice numbers will be in numerical sequence beginning with number 1 each fiscal year.

1. Invoice numbers for FPI Forms 55-Invoice, and 55b-Memo Invoice, D250-DOD Invoice, TFS 7306, OPAC invoices and credit memos will be assigned in the following manner:

a. The first part of the number will be the last digit of the fiscal year.

b. The second part of the invoice number will be the location Disbursing Office (DO) symbol

assigned by the Department of the Treasury. The DO symbol is included as an audit trail on the TFS Form 6652, Statement of Differences, as well as other Treasury generated forms (see Section 8501, Chart of Accounts and Accounting Classification Codes

,
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ii).

c. The third part in the invoice number will be an assigned numerical number.

d. The last part in the invoice number will be the alpha notation for the factory for which the invoice was processed. The alpha notation can not be entered on the TFS Form 7306 on the APECS terminal, but, will be automatically printed on the OPAC billing.

An example of a properly prepared invoice number in the 1989 fiscal year for the Terre Haute Cut and Sew Factory would be:

9 - 51 - 0001 - CS
(a) (b) (c) (d)

2. A separate series of invoice numbers will be established by the Business Manager for the processing of FPI Form 5, Inter-Industry Transfer Voucher. The same procedure for assignment of numbers will apply to the FPI Form 5 with one exception, the invoice number for a FPI Form 5 will have the suffix "T" (transfer) after the factory alpha notation.

An example of a properly assigned FPI Form 5 invoice number for the Terre Haute Cut & Sew Factory would be:

9 - 51 - 9 - CS-T
(a) (b) (c) (d)

102. SHIPPING ORDER AND COST OF SALES REGISTER

1. When finished goods are ready to be shipped to the customer as specified in the contract, the Factory Manager will request that a FPI Form 8, Shipping Order (S.O.), and a Government Bill of Lading be initiated in the Business Office and forwarded to the shipping office. (GBL's are not used for mailed items.) After the shipment is made, the Warehouse Foreman will forward the accounting copies of the two documents to the Business Office to initiate either the invoice process or the inter-industry transfer process. When the OPAC TFS Form 7306 is used as a shipping order, the invoice process has already been completed. The GBL and S.O. will be signed by the carrier unless mailed, then the warehouseman will sign the S.O.

2. The accountant shall take the information from the shipping order and post it to the Shipping Order and Cost of Sales Register (see Illustration 1). See Section 8540, Instructions for Reports, Forms and Records, for preparation instructions. At month-end the individual columns shall be separately tabulated to provide totals for journal entries to post cost of sales. The total for cost of sales shall be entered thru Journal Entry 19 debiting Cost of Sales (Account 51000 or 52000) and crediting Finished Goods (15xxx).

3. The responsibility in 1 and 2 above may be delegated in writing to others by the AW(I&E)/SOI. This written delegation should be maintained with the GBL's.

ILLUSTRATION 1

Shipping Order and Cost of Sales Register

INDUSTRY **Shipping Order and cost of Sales Register**

Month Of Sheet No.

Shipping Order		Customer	Item						Invoiced		Profit or Loss	Job No.
			Sales									
No.	Date		QUAN.	Description	No.	Transfer	Cash	Transfer	Cash			

Illustration 2
Process Flow for FPI Form 55 (Invoice)

INVOICING

100. GENERAL

Invoicing is the process whereby a customer is billed and an account receivable is established in the General Ledger as a result of goods having been shipped or services rendered to that customer as order. The objectives of the invoicing process are:

1. To bill customers for goods and/or that have been shipped or supplied.

2. To assure that amounts billed are correct.

3. To record accounts receivable in a timely fashion.

4. To establish effective controls that will facilitate the collection process.

the invoicing form to be used is dependent upon the circumstances of the customer's order. (See paragraph 103 on invoicing forms for specific details.)

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Receipt of a completed Shipping Order, FPI Form 8, and Government Bills of Lading (GBL) in the accounting office initiates the invoicing process, except when the OPAC invoice TFS Form 7306 is used as a shipping order. In this instance, notification of an impending shipment of an OPAC order will start the invoice process. Items mailed do not require a GBL. The Business Manager, or a delegate, is responsible for the assignment of all invoiced numbers. The invoice numbers will be in numerical sequence beginning with number 1 each fiscal year.

1. Invoice numbers from FPI Forms 55-Invoice, and 55b-Memo Invoice, D250-DOD Invoice, TFS 7306, OPAC invoices and credit memos will be assigned in the following manner:

   a. The first part of the number will be the last digit of the fiscal year.

   b. The second part of the invoice number will be the location Disbursing Office (DO) symbol assigned by the Department of the Treasury. The DO symbol is included as an audit trail on the TFS Form 6652, Statement of Differences, as well as other Treasury generated forms (see Section 8501, Chart of Accounts and Accounting Classification Codes, Page 8501-ii).

c. The third part in the invoice number will be an assigned numerical number.

d. The last part in the invoice number will be the alpha notation for the factory for which the invoice was processed. The alpha notation can not be entered on the TFS Form 7306 on the APECS terminal, but will be automatically printed on the OPAC billing.

An example of a properly prepared invoice number in the 1989 fiscal year for the Terre Haute Cut and Sew Factory would be:

9 - 51 - 0001 - CS
(a) (b) (c) (d)

2. A separate series of invoice numbers will be established by the Business Manager for the processing of FPI Form 5, Inter-Industry Transfer Voucher. The same procedure for assignment of numbers will apply to the FPI Form 5 with one exception, the invoice number for a FPI Form 5 will have the suffix "T" (transfer) after the factory alpha notation.

An example f a properly assigned FPI Form 5 invoice number for the Terre Haute Cut & Sew Factory would be:

9 - 51 - 9 - CS-T
(a) (b) (c) (d)

102. SHIPPING ORDER AND COST OF SALES REGISTER

1. When finished goods are ready to be shipped to the customers as specified in the contract, the Factory Manger will request that a FPI Form 8, Shipping Order (S.O), and a Government Bill of Lading be initiated in the Business Office and forwarded to the shipping office. (GBL's are not used for mailed items.) After the shipment is made, the Warehouse Foreman will forward the accounting copies of the two documents to the Business Office to initiate either the invoice process or the inter-industry transfer process. When the OPAC TFS Form 7306 is used as a shipping order, the invoice process has already been completed. The GBL and S.O. will be signed by the carrier unless mailed, then the warehouseman will sign the S.O.

2. The accountant shall take the information from the shipping order and post it to the Shipping Order and Cost of Sales Register (see Illustration 1). See Section 8540, Instructions for Reports, Forms and Records, for preparation instructions. At month-end the individual columns shall be separately tabulated to provide totals for journal entries to post cost of sales. The total for cost of sales shall be entered thru Journal Entry 19 debiting Cost of Sales (Account 5100 or 52000) and crediting Finished Goods (15XXX).

3. The responsibility in 1 and 2 above may be delegated in writing to others by the AW(I&E)/SOI. This written delegation should be maintained with the GBL's.

Illustration 2
Process Flow for FPI Form 55 (Invoice)

103. INVOICING FORMS

1. FPI Form 55, Invoice - (See Illustration 2)

a. Usage. This form is to be used for invoicing those customers who are not billed by inter-industry transfer billings, memorandum billings, billings to the Department of Defense customers who require use of DD Form 250 (Material Inspection Receiving Report, or SIBAC/OPAC billings.

b. Required Documents to Initiate the Use of FPI-Form 55. FPI Form 55 will not be prepared by the factory accountant until the previously completed Shipping Order (FPI Form 8), and Government Bill of Lading (GBL), (if used) for goods which have been shipped. are returned to the accounting office from the shipping department. The FPI Form 8 and the GBL should be returned to the accounting office immediately after shipment. The accountant shall review shipping orders daily to determine any shipping orders that have not been returned within 48 hours of having been sent to the shipping department. The factory accountant shall make inquiries of the warehouseman to determine the reason for the delay and acceptability of the reason.

c. Preparation Procedures. Upon receipt of the signed FPI Form 8 and the GBL in the Business Office from the shipping department, the factory accountant shall record all required information on the Shipping Order and Cost of Sales Register. Once the shipping order is recorded in this register, the factory accountant will have the FPI Form 55 prepared in accordance with the instructions in Section 8540. Upon completion, the FPI Form 55 will be distributed (see below), and the invoice will be recorded in the Collection Bill Register (CBR), FPI Form 35. It is essential that all invoices are prepared with all the required information to insure they are "Proper Invoices" as described by Office of Management And Budget Circular A-125 dated August 19, 1982, which states:

"A proper invoice must include:

1) Name of the business concern and invoice date.

2) Contract number, or other authorization for delivery of property or services.

3) Description, price and quantity of property and services actually delivered or rendered.

4) Shipping and payment terms.

5) Other substantiating documentation or information as required by the contract."

d. Distribution of FPI Form 55.

1) Original - to be forwarded to the customer.

2) First copy - to be forwarded to the customer.

3) Second copy - retained as a permanent numerical file.

4) Third copy - retained within the business office to be used as the source document with which the factory accountant posts the information to the Collection Bill Register. See paragraph 106. This copy will be filed numerically in an open file in support of the Collection Bill Register until collected after which it may be discarded.

5) Fourth Copy - to be retained within the business office and filed in the appropriate work order file.

6) Other Copies - if required by the customer, distribute accordingly.

2. FPI Form 55b, Memorandum Invoice of Shipment

a. Usage. This three copy form is to be used for items on how no cost is charged to the consignee or when the selling price will be established later and charged to the customer. (See Illustration 3). It is also used for accountability of equipment gone for repair or additional processing.

b. Required Documents to Initiate the Use of FPI Form 55b. Same as those to initiate the FPI Form 55.

c. Preparation Procedures. Upon receipt of the signed Shipping Order and the GBL from the shipping department, the factory accountant will prepare the FPI Form 55b in triplicate. When this form is used as a memorandum of shipment to another industry location, it shall be numbered in the same series as FPI Form 5, otherwise, it will be numbered in the series with invoices on FPI Form 55. In recording memorandum billings on the Collection Bill Register (FPI Form 35), "MEMO" shall be listed in the amount column.

d. Distribution. Distribute one copy to the customer/consignee one copy for business office, and one copy for the work order file when applicable. A copy (photocopy) may be sent to the warehouse for items (i.e., repair) which may be returned.

3. DD Form 250 - Materials Inspection Receiving Report MIRR). (See illustration 4).

Illustration 3
Process Flow for General Use of the FPI Form 55b

Illustration 4
Process Flow for DD Form 250

a. Usage. This form is to be used when a Department of Defense (DOD) customer requests its use in lieu of FPI Form 55. This form is used by DOD to combine inspection, acceptance, delivery, shipping, and invoicing all on one form. When the DD Form 250 is signed by the DOD inspector, title to the material immediately transfers to the customer.

b. Required Documents to initiate the use of DD Form 250. No initiating documents are required as the DD For 250 combines initiating and the invoicing process into one form.

c. Preparation Procedures. Upon notification from the Factory Manager that goods ordered are completed, the factory accountant will prepare the DD Form 250 per the instructions in Section 8540. The Factory Manager or Quality Assurance Manager shall notify the Business Manager once goods are inspected by the DOD representative and he/she has signed the approval space of the DD Form 250. If the DD Form 250 is signed toward the end of the month, but shipment does not take place until the following month, the sale and cost of sales should be recorded in the month the DD form 250 is signed. The signed DD Form 250 will be forwarded to the shipping department to ship the required goods. Immediately after shipment the DD Form 250 will be returned to the factory accountant who will verify that the appropriate information has been posted in the Collection Bill Register and in the Shipping Order and Cost of Sales Register, and distribute the DD Form 250 accordingly.

An exception to the DD250 procedure above, occurs under the requirements of "Destination Acceptance" contracts. Destination Acceptance contracts require DOD quality inspection/testing at the destination point, rather than at the shipping point. Under the terms of these contracts the DOD inspector will have a specified period of time (e.g., 30 or 60 days) in which to test and accept or reject a shipment. Once the shipment is accepted, written confirmation of acceptance is sent to the shipping/billing location and title to the goods transfers to DOD. Shipments of goods under Destination Acceptance contracts, therefore will not require the signature of a DOD inspector.

It is UNICOR's policy to record the sales when goods are shipped from the warehouse under Destination Acceptance contracts. The assumption to this policy is that UNICOR sells and ships quality products which are in accordance with contract specifications and that UNICOR's general policy is customer satisfaction, and thus acceptance is guaranteed. Use Account 12070, Destination Acceptance, to record the sale of goods under these contracts.

d. Distribution. The distribution shall be in accordance with

customer instructions. Internal distribution shall be the same as the FPI Form 55.

4. TFS Form 7306, "Paid Billing Statement for OPAC Transactions," OPAC invoice.

a. Usage. this form is used when payment for goods or services will be made by a government agency through the OPAC program. This form can also be used in lieu of the FPI Form 8, Shipping Order, and can be used as a packing list. A summary of all OPAC billings made on this form during an OPAC cycle will be used in the preparation of the S.F. 244, (See Treasury Fiscal Requirements Manual for Guidance of Department and Agencies, Chapter 10,000).

b. Required Documents to Initiate the Use of TFS Form 7306.

1) When the TFS Forms 7306 is not used as a shipping order, the requirements for its use are the same as those for the FPI Form 55, Invoice.

2) When this form is used as a shipping order in lieu of the FPI Form 8, notification by the responsible shipping personnel that an order will be shipped that day to a SIBAC customer will be sufficient for the Business Office to initiate a SIBAC billing.

c. Preparation Procedures. The TFS Form 7306 will be prepared by the Business Office on the APECS terminal using the APECS transaction codes for OPAC. This form will be prepared in accordance with the instructions in the APECS Operations Manual and the Treasury Fiscal Requirements Manual (TFRM) for Guidance of Departments and Agencies, Chapter 10,000.

Upon completion of the data entry into APECS, the factory accountant will verify the accuracy of the information and print the TFS Form 7306 with the APECS printer. Print as many copies as needed for distribution (see below) and record the invoice in the OPAC section of the Collection Bill Register (CBR), FPI Form 35. It is essential that all invoices contain the correct information as the transfer of funds in the OPAC system is accomplished by a direct electronic fund transfer between appropriations by Treasury without many of the controls built into a manual system, such as, matching invoices with receiving reports, purchase orders, etc. The procedure required to initiate the preparation of the TFS Form 7306 are listed below. Field offices will be notified of the cut-off date for the billing cycle each month.

1) When TFS Form 7306 is not used as a shipping order, OPAC billings will normally be prepared upon receipt of the Form 8 and GBL in the Business Office from the shipping department. However, when the terms of the contract or purchase order specify, alternate billing procedures may be used, for example, monthly billing or "upon completion of order" billing may be required. In these instances, the TFS Form 7306 will not be prepared until the terms of the contract of purchase order permits, and the use of account 12040, Accounts Receivable, Unbilled Receivables may be necessary.

2) When TFS Form 7306 is used as a shipping order in lieu of the FPI Form 8, notification from the responsible shipping personnel that an order will be shipped that day is sufficient to begin the preparation of the TFS Form 7306. An internal control procedure should be established to verify the availability of goods and transportation in this instance, since an invoice will be entered onto the OPAC computer tape for the goods when the TFS 7306 is prepared. The factory accountant will assign and record an invoice number from the OPAC CBR and a shipping order number from the Shipping Order Register prior to preparation of this form. Upon completion, the TFS Form 7306 will be distributed appropriately. The TFS Form 7306 will not be sent to the customer until the goods have been shipped.

d. Distribution of the TFS Form 7306. A Treasury TFS Form 7306 has been designed for use in the APECS printer. It consists of an original and four copies. The fourth copy has the "Amount" column black-out for use as a packing slip, if needed. An unlimited number of copies of the invoice can be printed when the data is initially entered into the system. Distribution of the FTS Form 7306 is as follows:

1) Original - to be forwarded to the customer.
2) First copy - to be forwarded to the customer.
3) Second copy - to be forwarded to the customer.
4) Third copy - retain within the business office to be used as a source document which the factory accountant will file in support of the OPAC section of the Collection Bill Register until accomplished, after which it may be discarded.
5) Fourth copy - designed as a packing slip, if needed.
6) A copy - retained in the permanent numerical invoice file.
7) A copy - to be retained within the business office and filed in the appropriate work order file.
8) Copies - retained in the numerical Shipping Order Register and sent to the shipping department when used as a shipping order.
9) Other copies - if required by the customer, distribute accordingly.

e. Required information on the TFS Form 7306

1) Customer agency billing address.
2) "Shipped to" address and GBL number, if appropriate.
3) Invoice number and Shipping Order number.
4) Customer ALC (8-digit Agency Location Code).
5) Date of Payment (the invoice date).
6) Customer Purchase Order or Contract number.
7) Description of item and amount.
8) OPAC agency (UNICOR location) address, commercial and FTS telephone numbers, ALC and appropriation account.

f. Adjustments. A customer agency under the OPAC system may make an adjustment on all or part of a billing within three months of receipt of an OPAC statement (TFS Form 7306). This may occur because the wrong customer was billed, the customer did not receive the entire shipment, or with dispute in charges. When an adjustment is made by a customer, they are required to contact the billing agency.

The adjustment is made through the OPAC system using an adjustment screen. The customer must enter specific information to identify the original billing which is being adjusted (i.e., document reference number, original billing ALC, etc.). The OPAC system will assure that the adjustment is valid through a series of edits on the information supplied. Once validated, the adjustment may be seen and/or printed on the next day by the original billing agency through the OPAC menu in the GOALS system.

Upon notification that an adjustment will be made, the factory accountant should immediately determine the reason. If the dispute can be settled without an adjustment, the factory accountant will take appropriate actions. If the customer does make an adjustment, a credit invoice must be made for the amount of the adjustment noting the original transactions to which it applied and was recorded in the OPAC section of the Collection Bill Register. If, however, an adjustment has already been accomplished by the customer and it is agreed that the customer is to be rebilled, a new invoice number and date must be used. If no agreement can be reached with the customer, it may be necessary to contact the Product Division for assistance. At the end of each month, in accordance with TFM 10060, "both the customer agency and the billing agency must include the NET TOTAL amount of all bills and adjustments for its ALC on its SF-224 for the current payment month."

* *

5. Transportation Billed to Customers. Although it is UNICOR's preference to have customers pay the freight cost on items shipped, special circumstances arise whereby UNICOR pays the freight or transportation cost and bills the customers for those

charges. Such charges should be separately identified on billing statements, such as the FPI Form 55s or Department of Defense Form 250 invoices. When recording invoices to the Collection Bill Register that include transportation charges: the total amount of the invoice should be debited to Accounts Receivable, account 120XX; Sales to Other Government Agencies, account 41010, credited for the value of the products shipped; and Transportation Cost Billed to Customers, account 63410, credited for the transportation costs via Journal Entry 22. In most situations the transportation cost to UNICOR will be an estimate. Any difference between the estimate and actual charges will be absorbed by UNICOR and will be reflected in the Transportation Cost Billed to Customers, account 63410.

* *

104. INVOICE ASSEMBLY AND MAILING INSTRUCTIONS

It is the responsibility of the Business Manager or a delegate to assure that all invoices mailed to the customers are fully accurate. The invoice package, mailed to the customer, will consist of the following documents:

1. The original of the invoice and as many copies as desired by the customer.

2. A copy of the shipping order.

3. Copies of any other document the customer requires.

After the Business Manager, or a delegate has fully verified the accuracy of the invoice package, the original invoice will be signed, indicating acceptance of the responsibility for its accuracy. The invoice package will then be mailed to the customer.

105. CORRECTION OF INVOICES - CREDIT MEMORANDUM

To correct an invoice prior to mailing, all copies are to be destroyed and the same invoice number on a new form. If an error has been discovered after the invoice has been sent to the customer, a "Credit Memorandum" should be issued.

1. Use. Credit memoranda are issued when:

a. An over billing error is discovered after the invoice is sent to the office billed.

b. An allowance is determined after the invoice is sent.

c. The customer returns defective goods.

2. Required Form for Credit Memorandums. FPI Form 55 with "Credit Memorandum" stamped boldly across the top of the form.

3. Required Information. (See Section 8540 for an example of FPI Form 55 and preparation information). The following blocks from the example in Section 8540 must be filled in when a "Credit Memorandum" is to be used:

A - Location	P - Amount Due
J - Payer	S - Signature
K - Stock No	T - Title
L - Description	U - Mail to
M - Quantity	V - Credit Memorandum
N - Unit Price	W - "To Apply"
O - Amount	X - "Shoes Returned"

4. Procedure

a. A detailed explanation of the correction of allowances is to be included, with reference to all pertinent records which created the discrepancy.

b. When the credit is to an invoice which was previously issued, the phrase "To apply to invoice No. _____, dated _____" must be included on the face of the "Credit Memorandum".

c. In all instances when a "Credit Memorandum" is issued, the following copies must be retained within the accounting office:

1) One copy to be filed in the numerical invoice file.

2) One copy to be used as support for the entry recorded in the Collection Bill Register and reverse Journal Entry 22. See paragraph 106.

3) One copy to be placed in the work order folder, if applicable.

5. Procedure When the Customer Fails to Pay the Full Amount of the Invoice. In this situation the Business Manager or delegated individual must determine if the amount not paid by the customer was a valid deduction. If it is a valid deduction, a dummy "Credit Memorandum" shall be prepared as any other "Credit Memorandum", except none of the copies are to be distributed to the customer. The "Credit Memorandum" should be annotated for internal use only and filed as stated in 105.4.c. above. In the event that the customer has deducted too much from the invoice or has no justification for deducting any amount from the invoice, the Business Manager shall send the customer a memo informing them that the invoice is still open and explain the reasons why.

When the customer fails to pay the full amount of the invoice because of an adjustment under the OPAC system, a credit memorandum is made for the amount of the adjustment and the customer is rebilled using a new invoice number and date. The credit memorandum should contain an explanation describing the reason for the adjustment and the amount to be rebilled. The customer will be contacted by telephone prior to rebilling to advise them of the impending action.

6. Customer Demanding Cash Refund for the Amount Which They Overpaid. In the event that the Business Manager notifies a customer that they have overpaid their accountant, or the customer discovers that they have overpaid, and requests a refund, the following procedures shall be followed:

a. The Business Manager must substantiate the validity of the claim. Once substantiated, the Business Manager will sign a memorandum explaining he reason for the discrepancies and that the refund is proper and valid. A copy of the customer's order and a copy of the invoice will be attached.

b. Once the above step is complete, the documents shall be forwarded to the accountant to follow the vouchering process on a FPI Form 1034 which will ultimately lead to a check being prepared to the order of the customer.

7. Approval

a. The Business Manager shall approve all "Credit Memorandums" when the "Credit Memorandum" originates due to an overbilling by the accountant. When the memorandum originated due to price adjustments on items billed at a tentative price, subject to firm commitment, disputes over contract prices, or adjustments to contract prices, the Superintendent shall be the approving officer if the amount does not exceed $2,000. If in these circumstances the memorandum exceeds $2,000, the Superintendent shall forward the memorandum to the appropriate Product Division Manager.

b. The Product Division Manager shall approve all other "Credit Memorandum" which are in excess of $2,000 but $7,500 or less. Submit the original and all copies to the division office in these cases.

c. "Credit Memorandums" which are in excess of $7,500 shall be submitted through the appropriate division office to the Deputy Assistant Director for approval.

8. Approval of Invoice Adjustments Under the OPAC System.

a. Under the OPAC system, the customer agency has three months in which to make an adjustment to a billing and the billing agency then has 90 days to respond to the adjustment. Although customer agencies are requested to contact a billing agency prior to an adjustment (see Treasury Financial Manual, TFM 6-10000, Chapter 10000, OPAC), this is not required, so the only notification of an adjustment may be on one of the Treasury statements or through the automated OPAC system.

Once an adjustment has been made by a customer, a credit invoice must be processed and approved regardless of the validity of the claim, since an OPAC adjustment causes an automatic electronic transfer of funds. The validity of the adjustment and the appropriate action necessary must also be determined.

The Business Manager will be responsible for having the "Credit Memorandum" prepared and may sign the approval when it originates due to an overbilling by the accountant. The Superintendent shall sign all other "Credit Memorandum" which have been initiated by an OPAC adjustment. When a "Credit Memorandum" exceeds $2,000, the Superintendent shall retain a copy of the signed "Credit Memorandum" for the numerical invoice file and the work order file and shall forward the original with remaining copies to the appropriate Product Division Manager. Included with the "Credit Memorandum" shall be an explanation detailing the reason for the adjustment, efforts made to resolve the problem, the amount, it any, to be rebilled and what assistance the Product Division can provide. A telephone call should also be made if division assistance is needed, since, there is a 90 day time limit on "responding" to adjustments.

b. The Product Division Manager shall sign an acknowledgment on any "Credit Memorandum" which is in excess of $2,000, but $7,500 or less. In addition, the Division Manager shall state in writing either concurrence or exception with location efforts to resolve the problem, assistance which will be provided and alternate solutions, if any, should be stated. A telephone call to the field location issuing the "Credit Memorandum" and/or the customer may be necessary, since, there is a 90 day time limit on "responding" to charge-backs.

c. "Credit Memorandums" which are in excess of $7,500 shall be submitted through the Product Division Manager to the Deputy Assistant Director for appropriate action. Since the OPAC system has a pre-defined limit on the time allowed to respond to charged-backs (90 days) and since cash will automatically be removed from UNICOR funds when an adjustment has been made, it is imperative that "Credit Memorandum" of this nature be forwarded immediately through the proper channels to the Deputy Assistant Director.

9. Defective Goods Returned by Customer. Credit Memorandums for the full value of the defective products shall be prepared following inspection by Quality Assurance. The signed approved FPI Form 31 shall serve as the basis for issuing the credit. Accounting data may be found in Section 8506, paragraph 406.

106. COLLECTION BILL REGISTER

1. The Business Manager is charged with the overall responsibility for maintaining an accurate Collection Bill Register FPI Form 35 (see section 8540 for preparation instructions). The factory accountant is responsible for the day to day postings to this register.

2. A Collection Bill Register shall be maintained for:

a. cash - invoices and credit memorandums, 12010,
b. OPAC - invoices and credit memorandums, 12010,
c. travel advances, 12020,
d. transportation and other public billings, 12030,
e. unbilled receivables current, 12040, and
f. Accounts Receivable, Non-Current, 12050.

When FPI Form 55b (Memorandum Invoice) is used, list it with FPI Form 55. In listing FPI Form 55b show "MEMO" in dollar amount column. Post only the receiving report number and the date in the "date collected" column when any item is returned.

3. All invoices and related credit memoranda are to be listed by the numerical invoice number within the month that they actually occur. The recording of transactions to the month in which the transaction took place is imperative as the Collection Bill Register is balanced to accounts receivable (Account 120XX) at the end of each month.

4. Show page totals and reconcile them by a tape taken from the numerical invoice file. Pages in the Collection Bill Register will be numbered starting with number one and continue until six digits are reached. The Collection Bill Register shall serve as the permanent sales register and as the subsidiary detail of the Accounts Receivable Control Account (120XX). Post all collections to this register.

107. MAINTAINING THE COLLECTION BILL REGISTER

The Collection Bill Register will be maintained by subdividing the register into six sections, labeled as follows:

Section 1 - "12010, Accounts Receivable - Government Cash Billings"
Section 2 - "12010, Accounts Receivable - Government OPAC Billings"

Section 3 - "12020, Travel Advances"

Section 4 - "12030, Accounts Receivable - Public"
Section 5 - "12040, Accounts Receivable - Unbilled Receivables, Current"
Section 6 - "12050, Accounts Receivable, Non-current"

1. 12010 Accounts Receivable - Government - Cash Billings. All FPI Forms 55 and 55b, DD Form 250 and "Credit Memorandum" shall be listed in numerical sequence in this section when the forms have been mailed to customers other than another UNICOR factory. These forms shall be maintained in numerical sequence to reconcile this section each month and support the journal entries.

2. 12010 Accounts Receivable - Government - OPAC Billings. All TFS Forms 7306 "Paid Billing Statement for OPAC Transactions" and "Credit Memorandum" shall be listed in numerical sequence in this section. "Credit Memorandum" should be accompanied with a copy of the supporting documentation which initiated the credit.

3. 12010 Travel Advances. To maintain accountability for travel advances outstanding, an SF-1038 shall be obtained from the employee concerned. This card shall be n maintained to monthly reconcile the Collection Bill Register and the support entries for this section upon issuance of the advance.

4. 12030 Accounts Receivable - Public. To maintain accountability for funds due from the public (i.e., amounts due resulting from canceled trips, the redemption of unused tickets) a SF-1170 is prepared. The SF-1170 provides the source document for posting to Account 12030, and shall be reconciled monthly. A month-end cut-off of the last page of the month should be made starting a new page for the following month. See Section 8505, Collections, for detailed closing procedures and journal entries when accounts receivable are collected.

5. 12040 Accounts Receivable - Unbilled Receivables, Current. This is used to maintain accountability for shipments of goods which will be billed to the customer at a later date. Upon completion of FPI Forms 55 which fall into this category, the accountant shall stamp "UNBILLED" in large letters on the form and list it in numerical sequence in this section. The sales value will be included on the FPI Form 55 and will be recorded as a sale to Account 410XX in this section. These forms shall be maintained in numerical sequence to reconcile this section each month and support the journal entries. When the terms of the contract (monthly, quarterly, etc.) permit invoicing the customer, all the FPI Forms 55 pertaining to that billing shall be accumulated and used as support documents to a total single invoice.

A single "Credit Memorandum" shall be used to clear the accumulated total of the "Unbilled Receivables" from this

section, so that the sales will not be recorded twice. Reference the invoice number and date of the invoice billed to the customer in the "Date Collected" column of the FPI Form 35, Collection Bill Register, on all "Unbilled Receivables" and "Credit Memorandum" when cleared form this section. The new invoice which will be sent to the customer will then be recorded in the appropriate section to the Collection Bill Register. Written authorization from Resources Division is required to use this account.

6. 12050 Accounts Receivable, Non-current. This is used to maintain accountability for contracts which require UNICOR to provide a cash advance to vendors for materials needed to manufacture a product. The cash advance must be long-term in nature and the outstanding balance will be reduced by the value of the materials received over a time period of greater than one year.

This register will be maintained in a log format with columns showing the date, value, Receiving Report number, voucher number, value received to date, and the outstanding balance to date of materials for which the cash advance was made. As materials are received, the value to these materials will be entered on a Receiving Report (Accountant 22000).

As vendor invoices are vouchered for payment, the accountant (technician) will credit Account 12050 for the portion (%) of the invoice amount specified in the contract and debit 22000 for the amount of the Receiving Report(s). Once scheduled, a copy of the voucher will be forwarded to the accountant (technician) to be logged in the Non-current Receivables register, Accountant 12050, in order to reduce the outstanding balance to date in this account.

SECTION 8505

COLLECTIONS

--RESCINDED--

SECTION 8506

COST ACCOUNTING MANUAL

FPI's Cost Accounting policies and procedures are contained in a separate manual. See FPI's business manager for more details.

FEDERAL PRISON INDUSTRIES, INC.
COST ACCOUNTING MANUAL

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PART I

INTRODUCTION

100. PURPOSE OF MANUAL

This Manual prescribes requirements and provides guidance for applying uniform cost accounting procedures by UNICOR.[1]/ Although this Manual is a basic directive reference guide for operating the cost accounting system, it also provides a useful tool for on-the-job training of personnel unfamiliar with the system, particularly new employees.

101. OBJECTIVES OF COST ACCOUNTING

The UNICOR costs accounting system is the major quantitative and qualitative information system related to the UNICOR manufacturing processes. Its objective is to provide information useful to management in decision making involving:

- Product profit measurement
- Pricing
- Product Line additions/deletions
- Expansion/relocation of operations
- Planning and control of operations
- Product quality
- Productivity

102. RELATED UNICOR INSTRUCTIONS

This Manual is Section 8506 of the UNICOR Corporate Policies and Procedures Manual, hereafter referred to as the Corporate Manual.

Since cost accounting is only one element of UNICOR production management and accounting, this (Cost) Manual is necessarily designed

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1/Federal Prison Industries, Inc., is the legal name under which the Corporation conducts its business. In 1978, FPI adopted the trade name, UNICOR, under which it now does most of its business.

for us with related issuances, and users will need an awareness of the total corporate manual. For example, they will find references to other UNICOR instructions such as the following additional sections of the corporate manual:

- 8270, Pricing
- 8501, Chart of Accounts and Classification Codes
- 8520, Journal Entries
- 8509, Inventory Control
- 8511, Payroll
- 8513, Travel and Transportation
- 8515, Reports, Forms and Records

103. MAINTAINING THE MANUAL

1. Users. Copies of the Manual will be distributed to each Institution location, to Product Divisions, and to Corporate Management. Changes will be brought to users' attention promptly on receipt by Superintendents of Industries and posted to the maintained copies as soon as possible. The Manual must be readily available of races and use by UNICOR employees.

2. Up-dating. The Resources Division will be responsible for preparing, coordinating, obtaining approval, and arranging for publication changes to the Manual. Changes will be made by issue of looseleaf page substitutions or additions.

3. Information. Questions and comments relating to this Manual will be referred to the Resources Division, Phone 724-3140.

104. NATURE OF THE UNICOR COST ACCOUNTING SYSTEM

Cost accounting is a system which is designed to allocate all related costs incurred to a cost objective and match the costs to the proper accounting period. A cost objective is a function, process, service, or product for which provision is made to accumulate and measure the costs involved. The matching of costs to the applicable cost objective and accounting period, uniformity among similar factories, consistency over a period of time, and verifiability of information accumulated are desired goals of the UNICOR Cost Accounting System.

A cost accounting system identifies costs to be allocated, the accounting period to which the costs are allocable, and the manner in which they can be assigned to cost objectives. As an ideal, each item of cost (whether for labor, materials, or overhead) would be allocated to the cost objective which caused incurrence of the cost.

Since allocations are not designed to deal with insignificant amounts, the concept of "materiality" becomes a key consideration. That concept has been defined as a state of relative importance. The materiality of an item may depend on its size, its nature, or a combination of both. An item should be regarded as material if it is of sufficient importance to influence the decisions of management in the evaluation of the cost or viability of a particular product. Factors determining materiality are the dollar value of the item by itself and in relation to the overall cost objective, classification of the cost as direct or indirect, the cumulative effect of individually immaterial items, and the feasibility and expense of adequately accounting for such costs.

Costs that are not directly identified with the cost objective will be considered overhead and grouped into logical and homogeneous pools (e.g., indirect labor, depreciation, or indirect material). These costs shall then be allocated to the cost objective according to a base(s) which measures the entire activity. Measures of the activities ordinarily can be expressed in such terms as direct labor dollars or hours, total direct material costs, machine hours, square footage, or other reasonable and justifiable measure. The use of a portion of a total activity to allocate these indirect costs to the cost objective, such as direct labor dollars, is acceptable only if the base is a good representative of total activity being managed.

The composition of direct materials, direct labor, and overhead costs are explained in detail in subsequent paragraphs and parts. Detailed instructions are also provided for accumulating, allocating, and recording such costs.

105. MANUFACTURING COST ELEMENTS

1. Definition. Cost as defined in this Manual represents the accumulated value of the amount of cash, property transferred, services performed, or liability incurred for the production of revenue.

2. Types of Manufacturing Costs. Manufacturing costs are usually divided into three categories: direct material, direct labor, and overhead.

a. Direct Material. All materials that form an integral part of the finished product and which can be measured with reasonable precision are called direct material.

The ideal approach would be to charge all materials to a job or process as direct charges. The dollar significance, economy, and feasibility of directly tracing the material to the final product, however, must be considered in many instances. Materials of low dollar significance or multiple job or process usage do not warrant the time and effort required to assign those costs to a job or process. Such costs should be recorded as indirect material charges (Account 57.15, Manufacturing Expense, Indirect Materials).

See Part 4 for more details on accumulating direct material costs.

b. Direct Labor. All labor which can be readily traced to a job or a manufacturing process is classified as direct labor.

The important factor is identification of the work performed with a specific job or manufacturing process benefiting from the labor. Multiple job or process work efforts should be recorded as indirect labor whenever there is considerable complexity in assigning that work effort to a specific job or process.

Part 5 contains detailed data on accumulating direct labor costs.

c. Overhead. This category includes charges other than direct material and direct labor incurred to complete the product. They are indirect manufacturing costs that cannot be identified easily with specific units of production.

Some examples of overhead items are expenses for: materials/supplies not readily identifiable to a job or process due to size or quantity; labor not readily identifiable to a job or process, such as supervision; and utilities, travel, machine repair, special clothing, depreciation, and publications.

The nature, accumulation, and bases for applying overhead are explained in detail in Part 6, Accumulation and Control of Overhead Costs.

106. FIXED AND VARIABLE COSTS

All manufacturing costs can be further broken down by fixed and variable costs of facilitate analysis in developing overhead application rates. The effect of volume changes on costs are of prime importance to management in control and analysis of costs.

Fixed costs remain relatively stable over a given period of time despite significant changes in volume. Fixed costs are those incurred regardless of the volume of production and sales. Control of these costs are, generally, the responsibility of top management. Depreciation and civilian salaries are examples of fixed costs in UNICOR factories.

Variable costs, on the other hand, vary with volume. Responsibility for them rests with the Superintendent of Industries. Direct material and direct labor costs are examples of variable costs.

107. FLOW OF COSTS

A cost system involves the flow of costs from one account into another. See Exhibit 1-A, Flow of Manufacturing Costs.

As materials are purchased, they are held in Raw Materials and Supplies Inventory, an asset, from which they move to Work in Process Inventory, an asset, as needed. There, direct labor and factory overhead are added. The cost or rework or abnormal scrap is written off directly to Account 56.3, Cost of Sales, Abnormal Costs, as a period cost (see paragraph 406, Scrap and Defective Work). When goods are completed, their cost is moved into Finished Goods Inventory, an asset.

When goods are sold, the asset, Finished Goods, moves to the Income Statement as Cost of Goods Sold.

108. UNICOR INDUSTRIES ORGANIZATION

The most common organizational structure for UNICOR factory locations is illustrated graphically in Exhibit 1-B. Actual organizational structures will vary, of course, depending on size and operations.

Primary cost accounting responsibilities of the principal officials shown in the Exhibit are summarized in this paragraph. The items listed are not intended to be totally inclusive or to serve as position descriptions.

FLOW OF MANUFACTURING COSTS

Exhibit 1-B

TYPICAL UNICOR ORGANIZATION

1. Superintendent of Industries. The Superintendent's responsibilities are summarized as follows:

- Direct and coordinates the activities of assigned UNICOR staff and inmate workers in performing cost accounting functions in accordance with UNICOR policies and procedures.

2. Factory Manager. The Factory Manager's responsibilities include:

- Initiating documents to obtain the Superintendent's approval to start production.

- Preparing and approving requisitions for materials and supplies, and controlling items received for consumption in production or return to the warehouse.

- Approving Defective Work/Scrap Reports prepared by the Quality Assurance Manager.

- Supervising directly, or through a Foreman, the utilization of labor and the maintenance of records of labor used.

- Notifying the Business Manager of the completion of jobs or processes.

- Furnishing required information (forms, reports, etc.) to the Business Manager and the Superintendent.

- Analyzing the results and costs of production and participating in reviews with the Superintendent and the Business Manager.

3. Business Manager. The Business Manager's responsibilities include:

- Maintaining the required cost accounting records and procedures.

- Providing inventory management to include supervising the warehouse activities, and acquisition of needed materials and supplies.

- Preparing reports pertaining to the status and results of production and the resources used.

- Analyzing the results of production with relation to materials and preparing statistics with regard to other cost factors; participating with the Superintendent and the Factory Manager in reviews of the progress and results of production.

- Advising the Superintendent and other personnel regarding accounting requirements and methods.

4. Quality Assurance Manager. The Quality Assurance Manager's responsibilities include:

- Providing quality control services.

- Involvement in disposition of defective work and scrap.

- Initiating the Defective Work/Scrap Report, FPI Form 31, as described in paragraph 309.

109. COST SYSTEMS OVERVIEW

The two cost systems used in UNICOR factories are job order cost and process cost. A summary of the basic procedures described in this Manual for UNICOR cost accounting are presented in Exhibit 1-C, Overview of UNICOR Cost Accounting. More detailed procedures are provided in narrative instructions and flow charts in subsequent Parts of this Manual.

As will be seen, the last segment of Exhibit 1-C pertains to monthly reports. Using records identified in the Exhibit as source documents, the Business Office prepares several reports related to the cost accounting system. The inmate Payroll Record, FPI Form 41, is sent directly to the Institution Business Office. The other reports are reviewed and approved by the Superintendent of Industries and forwarded to the Resources Division and Product Division Managers. Instructions for preparing the Payroll Record and the Monthly Financial Statement are provided in Sections 8511 and 8515, respectively. Procedures for the other reports are in Part 11 of this Manual.

1. Job Order Cost System. In a job order cost system (see Part 8), the basis for accumulating the relevant costs is a job order(s) or work authorization that normally specifies a quantity of a particular product to be manufactured.

Exhibit 1-C

Overview of UNICOR Cost Accounting

Exhibit 1-C (Continued)

Exhibit 1-C (Continued)

2. Process Cost System. In a process cost system (see Part 9), the basis for accumulating the relevant costs is a process or cost center. There, cost are accumulated for a specific time period and, then, allocated to the homogeneous product output of the process for that period.

3. Comparison of the Systems. The main difference between the two approaches is their basis for cost accumulation. In a job order system, all relevant cost incurred for a particular lot, specified by the job order, are accumulated against, that order regardless of the period in which they are incurred. In a process cost system, all relevant costs incurred for a particular process are accumulated for the time period required to complete that process.

In either case, the accumulated costs are divided by recorded production to determine unit costs f production.

110. STANDARD COST SYSTEM

A standard cost system is composed of carefully predetermined or estimated costs of material, labor, and overhead. Basically, standards are separately determined for each cost element by analysis of prior records with adjustment for changed conditions.

Standard costing is not a mutually exclusive system. It is often used by a wide variety of organizations in conjunction with job order costing and process costing. It is a system where actual costs are promptly compared with standard costs at the completion of a job to reveal variances that can be analyzed to determine production efficiency.

Because of the number of constraints in UNICOR's industrial operations, as would be expected in such areas as engineering, business positions, and types of accounting systems, standard cost systems are not currently used in UNICOR. Partial uses of standards by UNICOR in several ways are outlined in Parts 8 and 9 on job and process costing, respectively. Example of the use of standards are making allowances for scrap, machine breakdown and lost time, the use of the Unit Cost Estimate totals in estimating credits and ending balances for work in Process Inventory, and labor and overhead estimates in determining overhead application units.

Complete use of standards requires extensive planning and engineering of standards. Any of factories desiring to implement such a system shall contact the Product and Resources Division Managers for authority to use standard costs.

111. CHARTS OF ACCOUNTS

The UNICOR Chart of Accounts is a vehicle for budgetary and cost accounting control. It provides General Ledger control accounts for the recognized elements of cost, and it segregates and details all expenses. The Chart of Accounts is used to identify the flow and charge of costs to production activity and facilitates processing cost information into meaningful cost reports.

See Chapter 8500, Section 8501, Chart of Accounts in the Accounting Manual, for a complete breakdown of each account, a description of its contents, and related accounting entries which affect the account.

112. SELECTING A SYSTEM

When a new factory is established or when significant production changes are made to an existing operation, it will be necessary to select an appropriate cost accounting system.

1. Responsibilities. The Superintendent of Industries at each factory location, utilizing his assigned staff, is responsible for selecting the appropriate type of cost system and developing and monitoring the cost system for each assigned or planned factory. When the cost system has been developed, it will be submitted in writing to the appropriate Product Division Manager for review and approval.

The Product Division Manager is responsible for reviewing and approving each system submitted. Once the Product Division Manager has approved the system he will forward it to the Resource Division Manager for further review and approval.

The Resource Division Manager will review and approve the system and return it to the Superintendent of Industries through the Product Division Manager. Approved proposals will be permanently maintained on file at the factory locations and in Resources Division.

Summary disapprovals of proposed cost systems will not be made. All problems that a Product Division Manager has with a proposed cost system will be discussed and resolved with the Superintendent of Industries who submitted the proposal. In the event of nonresolution as a result of such discussions, the Product Division Manager is responsible for rendering a binding decision. This same process will apply for problems with the system which occur between the Product Division Manager and the Resource Division Manager. In this instance, the Resource Division Manager is responsible for rendering a binding decision, and then approving the system

as resolved.

Cost accounting systems which are currently in use and which comply with the guidelines of this manual will not be submitted for reapproval. Compliance with the provisions of this Manual will be examined during periodic factory audits.

Requests to deviate from the guidelines of this manual will be submitted to the Resources Division through the Product Division for approval. Requests must contain justifications for such deviations. Such requests will be reviewed in the same manner and detail as requests to establish new systems.

The following guidance will be applied by a Superintendent of Industries when developing new systems or when requesting deviations for existing systems.

The routing/control system must insure that responsibility/accountability is designated for each specific action, all required information is properly entered, and required files are maintained to allow ease of review and control. When variations are used, justification, narrative descriptions, and flow charts shall be made to facilitate its review, approval, and use.

An effective cost accounting system depends upon accurate and timely information from all levels of UNICOR. Corporate, division, factory and business office personnel, each, has a responsibility to insure that this is accomplished. Each must exercise due care and diligence in the use of this Manual.

2. Factors to Considers. The following factors should be considered in selecting a system:

- The type of product and the expected quantity to be manufactured of a particular product.

- The production and storage space that will be available to process and store a minimum level of stock.

- The variety or number of different type of products which are to be produced at the location.

- The anticipated demand for the product to be manufactured; i.e., whether the demand is recurring and continuous or is non-recurring and sporadic.

PART 2

COST DATA ANALYSIS

200. PURPOSE

UNICOR's cost forms and reports, properly interpreted, can disclose the effectiveness of factory productivity and the cost of producing a product.

Analysis and interpretation of this cost information provide the substantive value to be obtained from the cost system and the work involved in providing the data. Net profit or loss information in financial reports can be misleading and provides little substantive basis for identifying production problems areas so that corrective action can be taken. For example, factories with favorable sales or raw material prices may show substantial profits despite inefficient production activity. On the other hand, factories showing losses or minimum profits may be operating efficiently, but poor profit margins for products or inherent production problems preclude favorable financial results.

The cost system can provide the necessary information to evaluate and manage factory production activity effectively. Not only can problem areas and corrective measures be identified, but meaningful recognition can be given to effective work efforts and to those responsible for that effort.

201. RESPONSIBILITIES

Throughout this Manual, the need for analysis is identified and responsibilities are assigned. Nevertheless, the significance of the analysis phase of UNICOR's cost system warrants emphasis and summarization.

Analysis of the information provided by the UNICOR cost system if it is to be effective, cannot be postponed for convenient times or left to others. It should be a scheduled action for management personnel to accomplish. Without such analysis, the UNICOR cost system cannot serve the needs of factory, institution, division, or corporate level personnel.

1. Factory Manager. They are responsible, upon job completion, for the analysis of each FPI From 9, Production Order and Cost Sheet. Material Control Lists, Monthly Labor Summaries, and overhead expense accounts also need.

to be reviewed for reasonableness of accumulated data. See paragraphs 306, Production Order and Cost Sheet; 305, Material Control Lists; 308, Monthly Labor Summary; and 1102, Summary of Expense.

Corrective action must be taken, as necessary, to assure the validity of reported data. Comparison of Production Order and Cost Sheet, FPI Form 9, results with Unit Cost Estimates, FPI Form 73 (paragraph 302), should lead to the Factory Manager to conclusions regarding reasonableness of cost estimates, correctness of recorded data, and effectiveness of factory production. Analysis of overhead charges may disclose inaccuracies in the amount of overhead allocated to specific products based upon the service supplied. Analysis of overhead expenses on Summary of Expense, FPI Form 4 (paragraph 1102), may disclose the need for improved controls.

Factory Manager's reviews of defective work reports will provide further insight into production problems. (See paragraph 309, Defective Work/Scrap Report.) Decisions can be made as to how to solve those problems, or conclusions reached as to the inappropriateness of the product for manufacture within the confines of available resources.

2. Factory Foremen and Business Office. Factory Foremen and Business Office personnel need to be included in the analysis phase of the cost system. They need to be given an opportunity to account for noted deficiencies or provided the methodology needed to solve pertinent problems.

3. Superintendent of Industries. Superintendents have responsibility for reviewing the factory reports for reasonableness and discussing results of operations at least monthly with the Business and Factory Managers. He/she shall results of factory analyses and provide Factory Managers with the support needed to correct problems.

4. Product Division Manager. Product Division Managers have responsibility for insuring the review of factory reports for reasonableness and accuracy of entries, analysis in terms of the factory objectives, and comparison of price/cost relationship of completed jobs. Products Divisions shall monitor production problems and provide support and resources where necessary.

5. Resources Division Manager. The Resources Division Manager has the responsibility to insure the review of factory reports for timeliness of submission, reasonableness and accuracy of entries, and analysis for compliance with corporate accounting policies and procedures. Resources Division shall be responsible for insuring compliance with

corporate accounting, procurement and warehousing policies and procedures.

202. DOCUMENTATION

Analysis of jobs or processes will be accomplished by the Business Office at least monthly for all open and closed jobs. The analysis will include a comparison of finished production costs to estimated costs for that production, and analysis of the reasonableness of ending work-in-process balances. Any variances of plus or minus 10 from estimates will be forwarded to the Factory Manager for explanation, and the Superintendent of Industries for review.

To facilitate the analysis and review of a job or process, a job folder will be maintained on each. The Production Order and Cost Sheet, FPI Form 9, is the primary document of this folder as this form is used for production authorization, the summary of costs and production, and results of analysis. Copies of the following documents shall also be maintained in the job folder to facilitate control, review, and audit of a job or process.

Monthly Labor Summary, FPI Form 17

Defective Work/Scrap Report, FPI Form 31

Material Control List, FPI Form 48

Stores Requisition and Transfer, FPI Form 49

Unit Cost Estimate, FPI Form 73

Receiving Report, FPI Form 11 (if applicable)

203. MONTHLY FINANCIAL REVIEW OF OPERATIONS

As discussed in the above paragraphs, analysis and review of cost data can provide the necessary information to evaluate and manage factory production effectively.

To facilitate the analysis, the Superintendent of Industries, the Business Manager, and the Factory Manager will meet, monthly, to discuss results of operations. Meeting topics shall include sales, earnings, delinquent orders, and any other relevant areas of operations. Special attention should be focused on any jobs with variances of plus or minus 10.

To improve the effectiveness of these meetings, the Quality Assurance Manager, factory cost accountant and one or more of the department foremen should also attend.

Minutes of these meetings shall be maintained for each factory and copies forwarded to the Resources Division and applicable Product Division Managers. They shall also be an item of review during periodic audits of factory operations.

PART 3

PRODUCTION COST FORMS

300. INTRODUCTION

This Part outlines the basic forms to be used for accumulating, tracing, and controlling manufacturing costs. It provides narrative instructions for preparing the forms as well as suggested flow charts (routing) for their use. These are the preferred routing and control methods.

Direct labor cost is the most prevalent base used throughout UNICOR for the application of overhead. Therefore, the format of all forms and examples of how the forms are used presuppose direct labor cost as the base. If another base for application of overhead is authorized (see Part 6), that base should be used.

All required document numbers will be assigned in accordance with the UNICOR Policies and Procedures Manual, Section 8010. The following basics forms are illustrated in this Part:

Paragraph	Form
301	Bill of Materials
302	Unit Cost Estimate, FPI Form 73
303	Labor Estimate/Time Study, FPI Form 57
304	Schedule of Labor Rates, FPI Form 58
305	Material Control List, FPI Form 48
306	Production Order and Cost Sheet, FPI Form 9
307	Stores Requisition and Transfer, FPI Form 49
308	Monthly Job Labor Summary, FPI Form 19
309	Defective Work/Scrap Report, FPI Form 31

301. BILL OF MATERIALS

1. Introduction. A Bill of Materials is required for all products produced by UNICOR. The Bill of Materials is a master listing

of all materials, both direct and indirect, required to produce an end product. The listing is based on specifications and quantities of materials from blueprints, drawings, schematics, etc., to be used in the manufacturing of individual products. The Bill of Material is primarily used as a source for preparing the material section of the FPI Form 73, Unit Cost Estimate. It should also be used as an aid in procurement planning and preparation of the FPI Form 48, Material Control List.

2. Responsibility. The Product Division Office has responsibility for preparing the Bill of Materials but may delegate the responsibility to the Factory Manager. It is expected that all available resources, such as the Engineering Section, will be utilized to assure accurate and complete preparation of this document. Assigning responsibility for its preparation should be consistent within a division.

A copy of the Bill of Materials covering each end product will be available at division and factory level offices as it provides more detailed information than the unit Cost Estimate. Indirect materials are not recorded on Unit Cost Estimates and each factory must be knowledgeable of all material requirements for a product. Further, availability of the Bills of Materials permits each factory to review and compare them to Unit Cost Estimates to ensure that materials are charged to the job as direct materials when required.

3. Preparation and Control. Since the Bill of Materials is merely a list which is some cases may be included as part of the blueprints or drawing, there will be no approved FPI Form.

Economies of scale should also be considered in determining the number of units for which the bill is prepared. For example, you would not start production for one shelf but would produce in minimum lot sizes. The Bill of Materials shall identify all materials as direct of indirect by part number, description, specifications, and total quantity. Quantities will include allowance for unavoidable scrap, cutting loss, and inherent defective workmanship. Allowances for inherent defective workmanship should be estimated based on losses to be expected, regardless of controls, due to such circumstances as experience level of workers, material deficiencies, complexity of job, etc. Losses that may occur because of lack of production controls such as use of wrong die or material shall not be included. Allowances for unavoidable loss can be affected by the lot size to be produced. For example, percentage losses for production of 10,000 units would probably be less than the percentage losses for production of 100 units. The actual percentage will vary, depending upon the circumstances discussed in this paragraph, but would normally be expected to be in the range of 1/2% to 3%. (See Section 406.)

302. UNIT COST ESTIMATE, FPI FORM 73

1. Introduction. Unit Cost Estimates, FPI Form 73, provide management with information concerning anticipated productions costs for each product to be manufactured. The data furnished by Unit Cost Estimates are used to:

- Establish guidelines for dollar amounts to be charged to finished goods upon transfer of completed products from work in process.

- Measure efficiency and evaluate performance by comparing actual costs with estimated costs.

- Aid in decisions such as output, bidding on contracts, and make-or-buy evaluations. (See Section 8270, Pricing.)

- Quoting prices to customers.

- Estimating profit percentages.

The form is displayed in Exhibit 3-A.

2. Responsibilities. The Superintendent of Industries is responsible to insure that current Unit Cost Estimates are prepared for all products and component parts manufactured at his factory location.

The Factory Manager shall prepare Unit Cost Estimates.

The Business Manager will furnish financial data related to raw material cost, applicable labor rates, applied overhead rates, etc.

The Unit Cost Estimates will be forwarded through the Superintendent of Industries to the Product Division Office for review and approval. After review by the Product Division, applicable approved copies will be returned to the factory location. (See flow chart, Exhibit 3-B.)

3. Procedures. The Factory Manager will prepare Unit Cost Estimates for each new product to be manufactured, or as requested. They shall be reviewed annually and upon completion of each job for the product. Variances noted after the job completion due to permanent changes in costs of material and/or labor usage or the overhead rate shall be cause

Exhibit 3-A
Unit Cost Estimate, FPI Form 73

Exhibit 3-B
Material Control List
FPI Form 48

to submit a revision. Unit Cost Estimates are normally computed on a unit basis, but can also be based on the quantity requested by customer or on economical production runs where the product is normally produced in large quantities, such as shoes.

The following guidelines should be followed by the Factory Manager when preparing Unit Cost Estimates.

a. Direct Material. Estimating the cost of direct material should begin with a review of the Bill of Materials for the product to be manufactured. Available material requirements information for the product, including material control lists for prior jobs, shall be utilized to determine what estimated quantities of materials are needed. When using prior material control lists, however, changes in specifications between past and proposed work need to be evaluated. Estimated material requirements shall include a provision for inherent loss of materials for unavoidable scrap, cutting loss, and inherent defective workmanship. Packing costs shall be included when possible.

If a customer inquiry order requires special tools, dies, jigs or fixtures, that are to be purchased or manufactured, their costs should be included in the Unit Cost Estimate for the product. See paragraphs 409 and 407.2 for detailed instructions.

After final analysis of the above information, a detailed listing of direct materials required for production shall be summarized and listed on the Unit Cost Estimate. The costs are then computed individually for each listed item by multiplying the individual quantities of direct materials by their anticipated unit price. Unit prices are derived from the current inventory cost records maintained in the Business Office, or by obtaining market price quotations through the Procurement Office from potential suppliers.

Where anticipated production is not scheduled to begin until some time in the future or where production will be performed over an extended time period, Unit Costs Estimates shall contain an allowance for projected price change/inflation.

See Part 4 for detailed explanation of accumulating material costs.

b. Direct Labor. Estimating the cost of direct labor required to manufacture a unit of any type shall begin with an analysis of the work to be performed. Direct labor costs are composed of two factors: (1) the time it takes to do a job, and (2) the rate of pay for labor

skills required. These two factors are equally important and must be estimated as precisely as possible.

When considering these two factors, the work to be performed shall be determined and identified by operations at each work station. The time required and rate of pay based on grade or skill levels, will be assigned to each operation. This information shall be listed on the FPI Form 57, Labor Estimate/Time Study (see paragraph 303), and be summarized on FPI Form 58, Schedule of Labor Rates (see paragraph 304). The total estimated labor cost of all operations summarized on the Schedule of Labor Rates will be the total labor cost entered on the Unit Cost Estimate. If packing costs were included as a direct charge, insure that associated labor costs are shown as a direct charge. These estimates should be periodically reviewed and updated to reflect changes in machinery being used, design change, etc.

See Part 5 for detailed explanation of direct labor costs.

c. Overhead. The estimated cost of overhead required to manufacture a unit of any type shall be based on the standard annual overhead rate approved by the Product Division Manager. See part 6, Accumulation and Control of Overhead Costs.

d. Total Manufacturing Costs. The total amounts estimated for material, labor and overhead are totaled to comprise the estimated total manufacturing costs. This figure is used to determine whether UNICOR can produce the items at a profit, given the current market price. When the current market price is not known, this figure is used as a basis for determining the selling price.

4. Routing and Distribution. Upon signature approval of the Superintendent of Industries, this six-part form will be routed in accordance with Exhibit 3-B.

5. Preparation. The following instructions shall be used in completing this form. Alphabetical letters are references to letters on the sample form in Exhibit 3-A.

Block	Explanation
A. Factory.	Enter name of Factory doing the work.
B. Location.	Institution name.

Block		Explanation
C.	Estimate No.	Designed for in-house control of UCE's.Number is assigned by the Factory Manager, using the next assignable number in a series of consecutive numbers or from a log.
D.	Date.	Enter the date of preparation.
E.	Stock No.	Catalog stock number assigned by Product Division to identify a product for inventory and marketing control purposes.
F.	Item.	Provides a narrative description of the product to be produced. Description shall be obtained from the UNICOR Product Catalog. If not contained in the Catalog, description will be obtained from customer order, drawings, specifications, etc. Complete all applicable spaces in this block.
G.	Last Cost Statement No.	Information furnished in this block will assist management in decisions as to whether item should be produced. Fill in all applicable spaces.
H.	Part No.	This number is utilized as identification and control for items in raw materials inventory. Obtain number from Bill of Materials, or inventory stock record cards, or division management.
I.	Item.	Provides a narrative description of raw material. Include size where applicable.
J.	Quantity.	Identifies the quantity of a specific part number required to produce an item or group of items.
K.	Price.	Provides an estimated or current price per unit for material described in Block I. Obtain from stock records, quotes, catalogs, etc. If projected prices are used, enter note to that effect in "Remarks" (Block T).
L.	Material Cost.	Multiply quantity in Block J times unit price in Block K. Enter product of multiplication.
M.	Direct Material	Represents total costs of all items listed in Block

Cost L. Enter total.

Block		Explanation
N.	Direct Labor Cost Per Unit.	Represents labor cost estimated to produce a specific item. Cost is obtained from Schedule of Labor Rates, FPI Form 58 (see Paragraph 304). Insert hours estimated and average labor rate used in determining labor costs. If estimate of future labor cost is required, use total hours to produce from Schedule of Labor Rates FPI Form 58, multiplied by estimated hourly wages and quantity to be produced to determine estimated labor cost. For Form 58, see paragraph 304.
O.	Overhead.	Enter standard overhead rate approved by the Division Manager. Multiply by total estimated labor costs, N, or other base being used, to determine total estimated overhead costs.
P.	Total Manufacturing Costs.	This figure is derived by adding material, labor, and overhead figures shown in blocks M, N, and O. Enter total of M, N, and O.
Q.	Recommended Minimum Selling Price.	Based on estimated manufacturing costs, Block P, multiplied by 118. Enter product as recommended selling price.
R.	Comparable Commercial Price.	Usually, FPI selling prices will be based on comparable open market price. Factory Manager enters price obtained from catalogs, quotations, etc. If no commercial price is available, attach a memo enplaning efforts made to obtain this information. Product Division should make effort to determine price if none is provided by factory.
S.	Supplemental Information.	Enter description/explanation of any costs anticipated which are not identified in the material listing or which are not normally charged as an overhead or sales expense, such as initial tooling costs.
T.	Remarks.	Provided to explain any unusual characteristics related to the current Unit Cost Estimate or job in Block G. Explain any differences of 10 or more from the last cost statement identified in Block G.

	Block	Explanation
U.	By (Factory Manager).	Factory Manager initials, acknowledging review and approval.
V.	By (Business Manager).	Business manager initials verifying accuracy of prices, rates, and computations.
W.	Superintendent of Industries.	Superintendent signs, approving estimate for submission to Product Division Office.
X.	Selling Price.	Product Division Office enters approved selling price based upon comparison of recommended minimum selling price, comparable commercial price, and customer negotiations.
Y.	Signature and Title.	Complete for Product Division officer approving selling price.
Z.	W.O. or Inquiry	Enter number to control and identify to a specific customer requesting the work. This may be the number for a Division Work Order, Request for Quotation, Inquiry, Telecon, ect.

303. LABOR ESTIMATE/TIME STUDY, FPI FORM 57

1. Introduction. The FPI Form 57, Labor Estimate/Time Study, is used by management to: (1) estimate labor requirements for products not previously produced, or (2) record results of time studies of labor necessary to perform a given task or operation.

It is one of the most important sources of information in the UNICOR cost system as the labor standards developed form the basis for price decisions and evaluation of production efficiency. Since labor cost is UNICOR's most commonly used base for allocation of overhead costs, the accuracy of this estimate/study and conversion to labor cost has significant effort on profit/loss margins and the reliability of inventory reporting.

A sample FPI Form 57 is illustrated in Exhibit 3-C.

The data furnished on this form is used to:

Determine a standard time for performing an operation which can be used to establish fair inmate pay rates for either a group or individual piece rate system. (See paragraph 304.)

Exhibit 3-C
Labor Estimate/Time Study,
FPI Form 57

- Assist in determining labor and overhead cost estimates to be used on Unit Cost Statement, FPI Form 73.

- Measure the efficiency of actual work performance as compared to pre-production estimates.

Because of the importance of accurate labor standards, it is essential that time studies be developed for a product as early as possible in the production life cycle. Labor estimates in lieu of time studies should be used only for evaluating new products or operations for which a time/cost estimate is needed for pricing purposes, or when the capability (experience/training) of available personnel is not sufficient to perform an actual time study.

Standard times will not remain accurate indefinitely. Changes in operation due to redesigning parts, improving machinery, or changing materials should be cause to reevaluate the time standard. Retiming old jobs, however, should be held to a minimum as this could cause undue impact on worker morale and reduce productivity. In general, a job should not be retimed unless improvements in the operation or the acquisition of new equipment is expected to produce more than 5% alteration in time requirements.

2. Responsibilities. The Factory Manager is responsible for insuring that an FPI Form 57, Labor Estimate/Time Study, is prepared for each product produced. Subdivide the job into operations that have definite start and stop points. The study/estimate for each operation may be conducted by Department Foreman, Product Division personnel, or other reliable resource. The Factory Manager, however, is responsible for the overall preparation and accuracy of these estimates.

3. Performing a Study. Before a labor estimate/time study is attempted, management should assure itself that the job had been standardized as much as practicable and individual operations have been improved and/or simplified for efficient production. Failure to do this can result in poor standards that are too liberal, requiring retiming of the job in the future.

The basic steps to be followed in performing the time study are:

a. Select the operator to be observed. A better-than-average worker should be selected because he will be less hesitant and less erratic in his motions.

b. Divide the job into operations/steps. Subdivide the job into operations that have a definite start/stop point and list them on the FPI Form 57. As each operation is listed and timed, it should describe the work cycle or sequence of operations of the job.

c. Observation, clocking, and recording time. The operator may, or may not, be advised of the timing process depending on the technique of the observer. The observer should time the work effort a sufficient number of times to be sure that the time is accurate.

d. Analysis. The observer should check that machines were working properly during the study and that the work being turned out met quality standards to insure the validity of his observations. During the study, the observer should rate the operator (compared with the average employee who will perform the task) in respect to degree of skill possessed, effort made, consistency of motions and work condition. Other factors to be considered are adjustments for fatigue, personal delays, preparation, and possible unavoidable delay.

The observer should, then, render an opinion of the time to be allowed for the operation; that is, the time that will be expected of an average worker under normal operating conditions. This may be the same, more, or less than the observed time. Decision as to time allowed is a matter of judgment, based upon the study results and the experience and training of the observer.

e. Convert units completed to units per hour. Example: If 5 units are completed in 20 minutes, then the hourly rate would be 3 x 5 = 15 units per hour.

4. Preparation. The total of all operations will be summarized on the FPI Form 58, Schedule of Labor Rates. Specific instructions for the Labor Estimate/Time Study, FPI Form 57, are as follows, keyed by letter to corresponding blocks on the sample in Exhibit 3-C.

Block		Explanation
A.	Stock No.	Enter the National Stock Number (NSN) or UNICOR Part Number of the end product being produced.
B.	Analysis No.	Enter the next sequential number from the numeric file for this form.

Block		Explanation
C.	Date.	Date of preparation.
D.	Article and Description.	Enter the name and any descriptive information available such as size, weight, gauge, etc. Include Production Job Number and Customer Work Order Number if applicable.
E.	Operation No.	Assign an operation number for each phase of work being performed. Enter number.
F.	Description.	Describe operation such as "Trim and Stock Blank."
G.	No. of Workers and Grade.	Enter the number of persons performing the operation in each pay grade. Worker requirements will very, based on the nature and complexity of the operation. Use a separate line for each grade if workers of more than one grade are used in an operation.
H.	Time Elapsed.	Enter the average time actually used to perform the operation if based on an actual study, or estimated time if the unit has never been produced. Times that are too high or low compared to other observed times should be eliminated from the average as unrepresentative of study/sample.
I.	Time Allowed.	Enter the standard time to be allowed for pay and costing purposes. The elapsed time adjusted by the time study observer based on the judgmental factors noted in subparagraph 303.3d.
J.	No. of Units Completed On Study (Total).	Enter the average number of units completed during the study time period.
K.	No. of Units Completed On Study (Per Hour).	Convert the units completed to completed per hour.
L.	Remarks	Observer shall note whether data based on time study or estimate. Shall also mention any assumption or other pertinent information.

Block		Explanation
M.	Article.	Description of subassembly which results after a number of operations. Example: A desk drawer requires several operations. Information on each article is transferred to FPI Form 58, Schedule of Labor Rates (paragraph 304), for summary of job labor cost.
N.	Operation Nos.	Numbers of operations that make up a subsebly for which a rate cost is desired. See Block E.
O.	Production Time by Grade.	Summarize production time by operation and by grade. Multiply (G) times (I) for each grade and include in applicable grade box. For example, for an operation requiring 2 Grade One employees, 3 Grade Two, and 1 Grade Four, with allowed time for completing one unit of 15 minutes, the summary entry for Grade One would be: 30 minutes; for Grade Two, 45 minutes; and for Grade Four, 15 minutes.
P.	Recommended.	Signature and title of person who conducted time study or made estimate.
Q.	Factory Manager.	Signature of Factor Manage indicating verification and approval.
R.	Superintendent.	Signature of Superintendent of Industries approving the results of the Study.

304. SCHEDULE OF LABOR RATES, FPI FORM 58

1. Introduction. The Schedule of Labor Rates, FPI Form 58 is a multipurpose form used to summarize the information developed on the Labor Estimate Time Study, FPI Form 57 (see paragraph 303), establish piece rates for individual systems and establish total labor costs to produce a product. As such, it provides the input data for the labor time and estimate section of the Unit Cost Estimate, FPI Form 73. It is also used for establishing rates for costing production actively and Work in Process inventory valuation.

2. Responsibility. The Factory Manager is responsible for insuring that the form is prepared. The Business Manager should provide assistance in computing the cost per unit and verifying the accuracy of total labor cost. The form shall be reviewed by the Superintendent of Industries and

the Product Division Manager and approved by the Warden.

3. Individual and Group Piece Rates. Schedule of Labor Rates, Form 58, provides essential information for establishing individual and group piece rates. Paying individual piece rates should be based upon the Labor Cost Per Unit (by Grade) M, Exhibit 3-C. For example, an operation performed would have a labor cost per unit of 20/CT/ (80/CT/ per hour, divided by 4 units produced per hour). The 20/CT/ should be used as a reference point for establishing an individual piece rate for that grade of employee performing that operation. The basis for paying group piece rate employees would be determined by totaling the labor cost per unit, by grade applicable to all operations included in an identified group, department, process, etc.

4. Preparation. The form should be redone each time there is a change in pay rates on hours required to produce a product. The following instructions are to be used by Factory Managers in preparing the Schedule of Labor Rates, and are keyed to the sample Form 58 displayed in Exhibit 3-D.

Block		Explanation
A.	Schedule No.	Enter the next sequential number from the numerical file for this form.
B.	Factory.	Self explanatory.
C.	Location.	Self explanatory.
D.	Analysis No.	Enter Analysis Number(s) from Labor Estimate/Time Study, FPI Form 57, being summarized.
E.	Article Description.	Identify the article to be produced. Operation on which an individual piece rate is to be based shall be listed separately by the operation and grade.
F.	Production Time.	Summarize estimated time by grade to produce the subject product as detailed in FPI Form 57's summarized.
G.	Labor Cost per Unit.	The accumulated total of pay allowed for each article at the standard hourly rate for each grade. The pay allowed for each grade is determined by multiplying the fraction of an hour times the standard hourly rate. Example:

Exhibit 3-D, Drawer, 12/2 x 22 x 11

Grade 1 - 10'	: 60'	x $1.00	=	.167
Grade 2 - 14'	: 60'	x $ .80	=	.187
Grade 3 - 10'	: 60'	x $ .60	=	.100
Grade 4 - 4'	: 60'	x $ .40	=	.027
				.481

SCHEDULE OF LABOR RATES

Block		Explanation
H.	Total (all cost Operations).	Enter total production time by grade and total per unit.
I.	Standard Hourly Rate.	Current rates of inmate pay authorized in Section 8511.
J.	Recommended.	Signature of Superintendent of Industries recommending rate.
K.	Superintendent.	Signature of Product Division Manager indicating review and recommendation of rates.
L.	Approved.	Signature of Warden approving rates.

305. MATERIAL CONTROL LIST, FPI FORM 48

1. Introduction. The Material Control list, FPI Form 48, is an explosion of the direct materials listed on the Bill of Materials (paragraph 301), and is used to identify the actual materials required to produce a specific quantity of end units.

This form is primarily used to monitor and control the issuance of materials to a job. It can also be used as an aid to identify and initiate procurement activity for required material. Furthermore, it will be used to evaluate the quantities and costs on the Unit Cost Estimate, FPI Form 73, and help in the FPI Form 9 analysis. (FPI Form, 9 Production Order and Cost Sheet, is explained in paragraph 306.) For a sample Form 48, see Exhibit 3-E.

2. Responsibilities. The Factory Manager is responsible for the preparation and monitoring of the Material Control List.

3. Procedures. Form 48 should be prepared immediately after a job is authorized on FPI Form 9. Copies of the Material Control List will be furnished to department foremen who will process the job. Based on requirements identified by the Material Control List, the Department Foreman will initiate and submit material requisitions to the Factory Manager for approval. The Factory Manager or designated representative will insure that no request for material in excess of those on the Material Control List are approved unless properly justified. Storeroom requisitions explained further in paragraph 307.

Exhibit 3-E
Material Control List, FPI Form 48

After approval, the Factory Manager shall assign the requisition a suspense control number to insure that the requisition is processed.The requisition is then forwarded to the storekeeper for processing the order and then to the Business Office.

After posting the requisition, the Business Office returns a completed copy to the Factory Manger, at which time the furnished quantities and amounts will be posted to the Material Control List. Any issuance in excess of the quantity listed on the Material Control List will be noted on the Material Control List at that time. These notations can later be utilized to explain material variances from the Unit Cost Estimate when performing the job analysis.

Upon completion of the job, a copy of the Material Control List will be forwarded to the Business Office. The Business Office shall use the List in analyzing material variances when completing the Production Order and Cost Sheet, FPI Form 9.

The Factory Manager will file his copy of the Material Control List in the production folder for retention, reference and audit upon completion of job and/or analysis.

4. Preparation. The following instruction are furnished to assist personnel in the proper preparation of the Material Control List, and are keyed to the sample Form 48 displayed in Exhibit 3-E.

Block		Explanation
A.	Page of .	Identify the page number of total pages (forms) used for the unit(s) to be produced. If there is only one sheet, the entry will be "Page 1 of 1 pages." If there are two pages, the block would read, "Page 1 of 2," or "2 of 2 pages," etc.
B.	Date.	Date of preparation.
C.	Product.	Enter name description of the unit to be produced.
D.	Stock No.	Enter the stock number of the unit to be produced.
E.	Job No.	Use this block to reflect the specific job order number from the Production Order and Cost Sheet, FPI Form 9.

Block	Explanation
F. Quantity.	Enter the number of units to be produced as shown on the FPI Form 9.
G. Part No.	Identify each raw materials part number to be used for production of the Finished Goods unit. Use one section of the form for each part number required to produce the produce the product. Parts provided for should agree with parts listed on the United Cost Estimate, Form 73, for the product.
H. Description.	Describe raw material item listed in G. Also see the items identified in the Unit Cost Estimate.
I. Quantity Per Assembly and Total.	Fill in the number of pieces required to make one assembly and the total required to complete the job requirement. For example, if 4 legs are required to make a desk, 40 legs are required for a job requiring 10 such desks.
J. Estimated Cost Per Assembly.	Fill the estimated cost of the number of pieces required to make one assembly and the total cost required to complete the job requirement.
K. Control No.	Number assigned to a requisition by the Factory Manager to prevent possible duplication of material requests. Take this number from the Factory Control No. box on the applicable FPI Form 49, Stores Requisition and Transfer, see paragraph 307.
L. Requisition No.	Enter the requisition number which has been assigned by the storekeeper in the Warehouse Control No. box on the FPI Form 49.
M. Quantity Furnished.	Enter the amount from the "filled" column on the storeroom requisition. Summarize at end of job and compare to total in Block I. Differences should be justified. If differences are a necessary part of production in, a new Unit Cost Estimate should be initiated.

N. Balance. Enter the balance of rare material units required to complete the job. This figure is the difference between the total quantity in (I) minus (M) for the

Block	Explanation
	initial requisition and the difference of (N) minus (M) for subsequent entries.
O. Value.	Factory Manager shall enter value of each issue. Summarize at end of job and compare to total in Block J. Differences should be justified and used to explain variance analysis on the Production Order and Cost Sheet, FPI Form 9. (See paragraph 306.3.) If differences are due to significant (±10%) change in prices, a new Unit Cost Estimate should be initiated by the Factory Manager.

306. PRODUCTION ORDER AND COST SHEET, FPI FORM 9

1. Introduction. Production Order and Cost Sheet, FPI Form 9, is a multipurpose form that: (1) authorizes the manufacture of certain identified products, (2) accumulates ongoing production costs for that job, (3) serves as a subsidiary ledger for Work in Process Inventory, (4) furnishes summary data for analysis of production efficiency, and (5) provides a documentary record of production transferred to finished goods.

2. Responsibilities and Procedures. The Factory Manager is responsible for an will initiate the FPI Form 9, in triplicate, upon receipt of a sufficient quantity of work orders from the Product Division Office to warrant production. This decision should be based on considerations such as plant capacity and economical production runs. Work orders are frequently a copy of customer's orders with an annotated Division work order control number or other authorized forms that have been annotated with a work order control number.

The cost cycle is initiated by the Factory Manager upon assignment of a job control number to a Form 9. A numerical log of work orders assigned to each job shall be maintained by the Factory Manager. The form is routed to the Superintendent of Industries for review and approval.

Upon approval by the Superintendent of Industries, the original is forwarded to the Business Office for recording of cost as incurred. One copy is then routed to the Factory Manager for his numerical control file, and copies are provided to all applicable Factory Foremen.

The Cost Accountant enters production costs related to the job on the Business Office copy of the Form 9 as they are incurred. All cost entries posted to the Form 9 shall reference the source document and dates thereof. Quantities of finished goods transferred to stores are recorded as deliveries are made, with dollar values for material, labor, and overhead being recorded at month end and upon job completion.

Each Factory Manager shall develop an internal procedure for advising the Business Office of job completions, in writing, no later than the following work day.

The Factory Manager shall also review all open jobs with the Business Office, monthly, to ensure accuracy of job status and review reasonableness of Work in Process inventory balances.

Summary space is provided, on the FPI Form 9, for recording actual cost totals upon completion of the job. Such totals also include costs per unit, unit estimated costs from applicable Unit Cost Estimates (FPI Form 73), unit cost variance between actual and estimates, and explanations for major variances.

Without exception, the "Cost Summary" section must be completed at the end of each job. Actual direct material, direct labor, or overhead cost variances of plus or minus 10 percent from estimates must be analyzed for cause by the Factory Manager and a written explanation provided on the Form 9. In those instances, copies of the Form 9 shall be submitted to the Product Division for review and possible corrective active.

This analysis activity is an essential control element of the FPI cost accounting system. It provides a check on the validity of cost recording and accumulation. Also, it provides a basis for evaluation of civilian and inmate work performance. Problems can be identified and solutions formulated to prevent recurrence in future production.

Procedures for the routing and processing of the Form 9 are summarized in the flow chart, Exhibit 3-H.

3. Preparation of FPI Form 9 (Front). Production Order and Cost Sheet, FPI Form 9, Exhibit 3-F, has been keyed with alphabetical letters, to correspond to the following instructions for preparing the Form.

Exhibit 3-F
Production Order and Cost Sheet,
FPI Form 9 (Front)

Exhibit 3-G
Production Order and Cost Sheet,
FPI Form 9 (Back)

Exhibit 3-H
PRODUCTION ORDER AND COST SHEET, FPI FORM 9

Block		Explanation
A.	Job No.	Designed for in-house control of job related documentation. Assigned by Factory Manager from the next assignable number from a log of such numbers in a series of consecutive numbers or from a distinctive number system that provides specific information about the job.
B.	Date of Job.	The date that the job number is assigned Serves to identify the start of production control.
C.	Date Completed.	Remains open until the Factory Manager determines that the production cycle is completed and associated products are transferred to finished goods, at which time the completion date is entered.
D.	Date Promised.	Date of delivery promised to customer upon receipt of order. Take from work order or copy of the customer's order, or other advice from the Product Division.
E.	Work Order No.	A number reference supplied by the Division as their control number. In many instances, multiple Division control numbers will be involved in a job. In those instances, the FPI Form 9 should be annotated "See Below" and all applicable work order numbers involved should be recorded under Special Instructions (M) on the FPI Form 9 to the extent practical. Jobs involving voluminous orders should carry the notation "various" in Block (E). A factory locally devised procedure will be established to provide a reference in those instances.
F.	Factory and Location	Identify the factory and name of the Institution where Institution where located.
G, H.	Ordered by, Address, Order No. and Date.	Identifies the customer and other pertinent information supplied by the customer.

Block	Explanation
I. Material Control List No.	References the factory's Material Control List document prepared by Factory Manager for each job order. See paragraph 305.
J, K, L. Quantity, Size, and Description	Identifies the product and quantity to be produced to satisfy this job order.
M. Special Instructions.	This section provides space for any special instructions or itemizing work order numbers as commented on in Block E.
N. To Shop Foreman	Superintendent of Industries' signature, authorizing production. The Superintendent of Industries cannot authorize manufacture of a product for stock without written approval from Corporate Management through the Product Division Manager.
O, P. Date and Reference No.	Post Month and source reference data such as journal vouchers or monthly summary data from the reverse side of the Production Order and Cost Sheet, and the Monthly Labor Summary, FPI Form 19. For explanation and sample of Form 19, see paragraph 308.
Q. Material	(1) Material Received. Each month, or upon job completion, post the total(s) of materials requisitions for the job to "Production Costs-Material" (Block Q). This information is taken from the back of the Form 9. (2) Returns to Warehouse. Raw materials returned to the Warehouse, if any, will also be posted monthly to "Production Costs-Materials" (Block Q), from the back of the Form 9, Materials Requisition section. Such returns will be posted as minus (-) amounts in parentheses; e.g., "SEP, RET ($200.00)." (3) Documentation. A copy of each requisition, FPI Form 49, will be included in the job folder for both issuances and returns, to provide further detail concerning

the requisition. Requisitions will be posted

Block	Explanation
	to the reverse side of the Form 9 during the month, with weekly recording the maximum allowable backlog period.
R. Labor.	Dollar amount expended for direct inmate labor on a job. The dollar amount is obtained from Monthly Labor Summary, FPI Form 19. See paragraph 308.
S. Overhead.	Dollar amount based on factory's predetermined manufacturing overhead rate. Computation of manufacturing overhead is explained in Part 6 of this Manual.
T. Deliveries to Finished Goods.	This section is for credits to Work in Process. Enter quantity, if applicable, and costs of units transferred from (credited to) Work in Process. Transfer may be to Finished Goods Inventory or Manufacturing Variance--Abnormal Costs. The following are sources for such transfers and instructions for their posting: (1) To Finished Goods Inventory. Each month or upon job completion, post to Block T, Deliveries of Finished Goods, the total quantities and values for deliveries to Finished Goods. This information is taken from the back of the Form 9, section entitled, "Delivery to Finished Goods." Material, labor, and overhead amounts are obtained by applying Unit Cost Estimate, FPI Form 73, amounts to the quantities delivered (see Block V, Col. 3). See paragraph 302. The number of pieces delivered to Finished Goods is recorded on the back of the Form 9, from production reports, delivery tickets, requisitions, or receiving reports. Data recorded includes date, reference, quantities, and identification of item(s). Deliveries will be posted to the back of the Form 9 during the month, with weekly recording the maximum allowable backlog period. (2) To Cost of Sales-Abnormal Costs. Post to Block T, a summary of material, labor and overhead

Block	Explanation
	reported on any Defective Work/Scrap Report, FPI Form 31, applicable to the job. Those costs will be summarized monthly or upon job completion. See paragraph 309.
U. Work in Process Inventory	A month-end valuation obtained by subtracting amounts transferred to finished goods, raw materials, and spoilage (Block T) from production costs to date. It is imperative that work in process (WIP) valuations be reviewed at month end for consistency with WIP on hand. In those instances where the valuations are obviously and significantly in error, a physical inventory should be taken. If physical inventory procedures are not feasible, reasonable estimates by job should be made. Estimated figures should be compared to the General Ledger balance for WIP Inventory and corrections made as necessary by an adjusting entry with adjusted amounts charged to Finished Goods, Cost of Sales, or Manufacturing Variation, as applicable.
V. Cost Summary. prepare	Upon job completion, Business Office personnel shall this section and explain any significant raw material price variance(s). All other variances shall be referred to the Factory Manager for review, comment, and (if required) corrective action.
Column 1. Total Cost.	Fill in, upon completion of job: Lines 1, Material; 2, Labor; and 3, Overhead. Amounts are the total production costs from Blocks Q, R, and S. Line 4, Manufacturing Cost. Add Lines 1, 2, and 3. Lines 5, Freight; 6, Erection. Enter as applicable to the job. Obtain from vendor invoices or paid vouchers charged to the job. Copies of supporting documents shall be maintained in job folder. Line 7, Other. To be used primarily for summary of abnormal costs related to the job. This line may be used to list other costs such as tooling. Use

Block	Explanation
	shall be explained in "Item" column or "Variance Explanation" column. Line 8, Total. Add Lines 4, 5, 6 and 7. Line 9, Sales Amount. Enter from the work order(s), or customer order(s), received from the Product Division. Lines 9 and 10 are used to record and compare actual and estimated sales/earning data on this job for management review. Line 10, Profit/Loss. Subtract Line 8, Total (Costs), from Line 9, Sales Amount, to obtain gross profit or (loss). If a loss, enter the difference in parentheses; e.g., (500.10). Line 11, Labor Hours. Obtain and enter the number of direct labor hours from the Monthly Labor Summary, FPI Form 19, paragraph 308.
Column 2. Unit Cost.	The actual cost per unit is arrived at by dividing the number of units produced (Block T) into the total material, labor overhead, and other coasts entered on the corresponding lines in Column 1, Total Cost.
Column 3. Est. Cost.	The estimated cost per unit data are obtained from the Unit Cost Estimate, FPI Form 73, and should be recorded during the original drafting of the FPI Form 9. As previously noted, unit estimate values for material, labor, and overhead are used to compute values for transfer to Finished Goods.
Column 4. Variance.	The values for variances between actual and estimated costs/amounts are obtained by subtracting the amounts in Column 3, Estimated/Cost, from the amounts in Column 2, Unit Cost (actual). The differences are entered in Column 4, Variance. When Column 2 amounts are larger than Column 3 amounts, minus differences are obtained and should be entered as minus amounts; e.g., -2.05.
Column 5. Percentage.	Obtain the percentages by dividing the line item amounts in Column 4, Variance, by

Block	Explanation
	corresponding line item amounts in Column 3, Est. Cost; e.g., -2.05 (Col. 4) /div/ 104.60 = .02, and the entry would be -2%.
Column 6. Variance Explanation.	As previously stated, any variance exceeding plus or minus 10% must be explained by the Factory Manager, except that the Business Office will explain significant raw material price variances. Additional space is provided on the back of Form 9. These explanations require a thorough understanding of production activity and detailed review and analysis of production data. Explanations should be specific, readily understandable, and directed to problem solving.

4. Preparation of FPI Form 9 (Back). The back of FPI Form 9 (Exhibit 3-G) consists of five blocks: (A) Material Requisitions, (B) Delivery to Finished Goods, (C) Variance Explanation, (D) By, and (E) Reviewed.

Block	Explanation
A. Material Requisitions.	Information is recorded in this block from filled requisitions for the job and for materials returned to the Warehouse. See subparagraph 306.3 Q.
Column 1. Date	Enter date of the requisition(s), FPI Form 49. See paragraph 307.
Column 2. Reference.	Enter Warehouse Control No. from the FPI Form 49.
Column 3. Cost.	Enter total monetary value(s) of the materials furnished in response to the requisition or of excess materials returned to the Warehouse. For materials returned to the Warehouse, enter the value in parentheses to indicate a minus amount; e.g., (51.32).
B. Delivery to Finished Goods.	The number of pieces delivered to Finished Goods are recorded in this block from

Block	Explanation
	production reports, delivery tickets, requisitions, or receiving reports. See Subparagraph 306.3 T, Deliveries to Finished Goods.
Column 1. Date.	Month and day of the delivery.
Column 2. Reference.	Reference document number of form used to transfer goods.
Column 3. Quantity.	Number of units delivered.
Column 4. Items.	Name(s) of item(s) delivered.
Column 5. Size.	If more than one size of item of same type was delivered, enter size or other descriptive data to identify. For example, gloves. shirts, medium, small.
C. Variance Explanation.	Space for overflow of variance explanation from front of Form 9.
D. By.	(1) business Manager, or representative, signs and enters date on which Business Office entered its completion of job postings and summaries. (2) Factory Manager signs and enters date on which he/she completed the Variance Explanation.
E. Reviewed.	Superintendent of Industries signs and dates, signifying that he has completed his review and discussions, if any, with the Factory Manager and the Business Manager of variances.

307. STORES REQUISITION AND TRANSFER, FPI FORM 49

1. Introduction. The cost of materials must be charged to the applicable job or process for control and costing purposes. The FPI Form 49 is the form used for reporting materials and their costs enter-

ing the production process. It can be used under the following circumstances:

a. Withdrawing materials and supplies for production (its basic purpose).

b. Withdrawing raw materials for Raw Materials-Shop Stock (Account 20.4).

c. Withdrawing raw materials from Raw Materials-Shop Stock (Account 20.4) to WIP-Material (Account 18.1).

d. Returning excess or unused raw materials to the warehouse.

e. Transferring raw materials from one job to another.

f. Withdrawing finished goods for WIP (Account 18.1)

g. Correcting inventory posting errors of quantities or values (FOR ACCOUNTING PURPOSES ONLY).

h. As a posting medium for registers, Warehouse and Business Office stock records, and FPI Form 9, Production Order and Cost Sheet.

A sample FPI Form 49 is illustrated in Exhibit 3-I.

2. Responsibilities. The Business Office has final responsibility to insure that the FPI Form 49 is completed properly, approved, and reviewed for accuracy and reasonableness.

The Factory Manager or a designated representative is responsible for approving Form 49 and ensuring that no materials are requested in excess of the material requirements listed on the Material Control List, FPI Form 48, for that job unless justified by documented proof of loss, damage, spoilage, or increased production requirements. The Factory Manager will insure that rework is properly approved and documented to facilitate identification and control for accounting purposes. See paragraph 309, Defective Work/Scrap Report.

The requisitioning officer, Factory Manager, Warehouse Supervisor, and accountant each have responsibilities to ensure this form is properly approved and processed. Since this is the primary form used to trace and control materials and their costs, it is essential that each individual understands the interrelationships of their responsibilities.

Exhibit 3-I
Stores Requisition and Transfer,
FPI Form 49

3. Procedures. The procedures for routing and using FPI Form 49 are summarized in flow charts. Instructions for preparing the form are found in the subparagraphs listed below. As will be noted, no flow chart is included for 307.4 g, as none is required.

Preparation

Instructions Exhibit Subparagraph	Procedural-Flow Chart	
3-J	Withdrawing Raw Materials or Finished Goods for Work in Process (Account 18.1)	307.4 a
3-J	Withdrawing Raw Materials for Raw Materials-Shop Stock (Account 20.4)	307.4 b
3-K	Withdrawing Raw Materials from Raw Materials-Shop Stock (Account 20.4) for Work in Process-Material (Account 18.1)	307.4 c
3-L	Return of Materials from Work in Process to Raw Materials Inventory (Warehouse)	307.4 d
3-M	Transfer of Materials from Job to Job	307.4 e
3-J	Withdrawing Finished Goods (Account 15.1) to Work in Process (Account 18.1)	307.4 f
None	Correcting Inventory Posting Errors of Quantities or Values.	307.4 g

Variations from these suggested flow charts are acceptable if they contain in similar controls and are reviewed and approved by the Product and Resource Division Managers. The essential control element of the issue system is that one control point or person in each factory is responsible for review and approval of requests.

The FPI Form 49 is composed of an original and five copies: namely

original, onion skin, green, pink, blue, and yellow. Copies will

Exhibit 3-J

Exhibit 3-K

EXHIBIT 3-L

Exhibit 3-M

generally be retained/distributed as follows except for those forms that are initiated for accounting purposes only:

Original.	Retained by the Business Office as a posting medium for the Requisition Register and the Master Inventory Stock Record file. Originals should be filed in numerical sequence at the end of the month.
Onion Skin.	Retained by the Business Office for posting the Production Order and Cost Sheet (FPI Form 9). This copy shall be filed in the Business Office job order folder.
Green.	Retained by the Warehouse Supervisor for his numerical file.
Pink.	Forwarded to Factory Manager for file.
Blue.	Retained by requisitioning officer after receipt of the material.
Yellow.	Retained by Factory Manager for suspense file of materials requested. Disposed of when no longer needed for current business.

All copies will remain on file for a minimum of three years except the yellow copy.

4. Preparation. The following subparagraphs contain detailed instructions for preparing FPI Form 49 under various circumstances. Alphabetical "Block" letters are references to corresponding blocks on the sample form illustrated in Exhibit 3-I.

a. Withdrawing Raw Materials for Work in Process-Material (Account 18.1). Also, see flow chart, Exhibit 3-J.

Make a separate requisition for indirect materials (Account 57 charges) not related to a specific job.

Block		Explanation
A.	Factory.	Name of Factory requesting the material.
B.	Date.	Date of preparation of the form.
C.	Factory Control No.	Entered by the Factory Manager as a suspense file control number.

Block		Explanation
D.	Warehouse Control No.	Entered by the Warehouse Supervisor after materials are assembled for delivery to factory as a Warehouse/Business Office control number. A separate series of numbers prefixed by an alpha designation shall be utilized at multiple factory locations. The number entered will be the next unassigned number in a series of consecutive numbers.
E.	Job and Recipient.	Factory Manager inserts job number and department or foreman to which material is to be issued. Issues involving indirect materials (Account 57 charges) not related to a specific job require a separate requisition with "Job" crossed out and "General Factory Use" inserted.
F.	Approved by.	Full name, signature, and title of the Factory Manager or designated representative authorizing the request. For requests for materials in excess of Material Control List, FPI Form 48, requirements caused by loss or damage of materials, the word, "REWORK," will be stamped in bold letters on each copy of the FPI Form 49. As a precautionary measure, the warehouse supervisor will question or verify unfamiliar names or signatures which do not appear to be authentic.
G.	Reference.	Insert account number for the requested materials. This number is filled in by the Business Office. Account used can be verified by reference to Unit Cost Estimate. Requisitions stamped "REWORK" will be charged to account 56.3, Cost of Sales-Abnormal Costs.
H.	Part No.	Part number of each item being requested. To avoid incorrect charges or removals, use extreme care when indicating part numbers. Consult the Business Manager if there is any doubt as to the correct part number.

Block	Explanation
I. Quantity Requested.	Quantity requested and unit of issue; e.g. 45 ea., 400 bd. ft., 7 gal., etc. The Material Control List, FPI Form 48, should be used as a basis for determining the quantities of materials to be requisitioned.
J. Quantity Furnished.	The quantity furnished shall be filled in by the Warehouse Supervisor before delivering the supplies.
K. Quantity Bal. on Hand.	The balance on hand shall be determined and filled in by the Warehouse Supervisor before delivering the supplies. This balance will be verified by the Business Office against its stock record cards as it is posted.
L. Article.	Complete description of the materials (article) being requisitioned. The Material Control List, FPI Form 48, should be used to ensure that the materials listed thereon correspond to the materials to be requisitioned.
M. Unit Price.	Filled in by the Business Office. It is based on and will be the most current average price on stock record cards. Unit cost will be carried to one-hundredth of a cent (e.g., 1..2678).
N. Amount.	Filled in by the Business Office. It is obtained by multiplying the quantity furnished by the unit price. The resulting costs should be rounded to dollars and cents (e.g., 1.55).
O. Account No.	The accountant will be responsible for summarizing all costs by account number from Block G.
P. Debits.	Entered by accountant, the Debit amounts shall equal the total amount computed in Block N.
Q. Account No.	Entered by accountant. Insert Account No. 20.1 (for Raw Materials and supplies).

Block		Explanation
R.	Credits.	Accountant enters: the credit amounts shall equal the total amount itemized in Block P.
S.	Stock Cards.	Initialled by the accounting clerk who posted the stock record cards.
T.	Cost.	Initialled by the accountant who coded the requisition.
U.	Filled.	The Warehouse Supervisor shall sign prior to delivering the materials. His signature will attest that the requisition has been filled to the extent possible and that only the materials requested have been furnished. The materials shall be delivered directly to the requisitioning officer noted in Block E or to a responsible officer in the absence of the requisitioning officer. Under no circumstances shall inmates be authorized to sign for materials delivered from the warehouse.
V.	Received.	Date on which the materials were received by the Factory. It is important that the requesting officer record the date of delivery for it is also used to determine the period in which the costs will be recorded on the cost registers and reports.
W.	Signature of person receiving.	The receiving officer shall examine each delivery to verify that the quantity and type of materials furnished are the same as those which have been documented (Block J) prior to affixing his signature.

b. Withdrawing Raw Materials for Raw Materials-Shop Stock (Account 20.4). The requisitioning process is the same as withdrawing materials for production, subparagraph a above. Also, see flow chart, Exhibit 3-J.

c. Withdrawing Materials from Raw Materials-Shop Stock (Account 20.4) to Work In Process-Material (Account 18.1). The process is the same as withdrawing materials for production except for the following items (see paragraph 307.4 a and flow chart, Exhibit 3-K):

Block		Explanation
E.	Job and Recipient.	Factory Manager indicates transfer from Account 20.4 to a job; e.g., from 20.4 to: Job #900.
K.	Quantity Bal. on Hand.	Balance entered by Factory Manager.
Q.	Account No.	Insert Account Number 20.4 instead of 20.1.
U.	Filled.	Signed by Custodian of unassigned material who filled the order.

d. Returning Excess or Unused Raw Material to the Warehouse. For such transactions, follow the instructions below in preparing the Form 49. Also, see flow chart, Exhibit 3-L.

Block		Explanation
A.	Factory.	Name of the Factory returning the materials.
B.	Date.	Date of preparation of the form.
C.	Factory Control No.	Entered by Factory Manager as a file control number.
D.	Warehouse Control No.	Warehouse number issued by the Warehouse Supervisor upon receipt of the requisition and materials from the Factory.
E.	Job and Recipient.	Factory Manager enters to "Warehouse from Job _____ ," on this line, entering the applicable job number.
F.	Approved by.	Approval signature by Factory Manager Insure Material Control List, FPI Form 48, is adjusted to reflect transfer of material from job.
G.	Reference.	Business Office inserts account number for material being turned in.
H.	Part No.	Initiator shall assure that returned materials are identified with the correct part number.

Block		Explanation
I.	Quantity Requested.	Insert "NA" (not applicable).
J.	Quantity Furnished.	Initiator indicates the exact quantity of the materials being returned.
K.	Quantity Bal. on Hand.	The Warehouse Supervisor shall indicate the balance on hand after adding the returned materials to the inventory balance. The Business Office will also verify this balance against stock record cards after posting.
L.	Article.	Initiator provides complete description of the materials being returned. The Warehouse Supervisor stamps the word, "CONTRA," on the face of the requisition and all copies in bold letters to avoid mishandling.
M.	Unit Price, & N. Amount.	The accountant enters the unit price and amount. These will normally be the same as the original cost of the materials when they were initially withdrawn from the warehouse. This information can be obtained from FPI Form 9, Production Order and Cost Sheet.
O.	Account No.	Accountant inserts Account Number 20.1.
P.	Debits.	Accountant inserts amounts. The amount shall be same as the amount determined in Block N.
Q.	Account No.	Accountant summarizes all cost data by account number from Block G.
R.	Credits.	Same as Block P above.
S.	Stock Cards.	Initialled by the accounting clerk who posted the stock record cards.
T.	Cost.	Initialled by the Accountant responsible for coding the requisition.
U.	Filled.	Signed by Department Foreman returning materials.
V.	Received.	Date received by Warehouse Supervisor.

Block		Explanation
W.	Signature of Person Receiving	Signed by Warehouse Supervisor.

e. Transferring Raw Materials from One Job to Another. Exhibit 3-M summarizes the procedure for transferring raw materials from one job to another.

Block		Explanation
A.	Factory.	Name of factory where work is being done.
B.	Date.	Date of preparation of the form.
C.	Factory Control No.	Number issued and controlled by the Factory Manager.
D.	Warehouse Control No.	Number issued and controlled by the Warehouse Supervisor.
E.	Job and Recipient.	Factory Enters "Job to Job," entering applicable job numbers.
F.	Approved by.	The factory Manager must sign the requisition to indicate his approval of the transfer. Factory Manager will use the Material Control List, FPI Form 48, to determine need/requirement for material being transferred. Insure FPI Forms 49 are adjusted.
G.	Reference	All transfers shall be from and to Account 18.1.
H.	Part No.	Take extreme care to ensure the correct part number is posted. Prior requisitions or Unit Cost Estimate should be reviewed if there is any doubt or uncertainty as to the correct number.
I.	Quantity Requested.	Insert "NA" (for nor applicable).
J.	Quantity Furnished.	Indicate quantity being transferred.

Block		Explanation
K.	Quantity Bal. on Hand.	Insert "NA" (for not applicable).
L.	Article	Complete description of the material being transferred.
M. N.	Unit Price, and Amount	Accountant will enter the until price and amount. These will, normally, be the same as the material's original cost which can be gained from the original requisition for the materials.
O.	Account No.	) Since this transaction involves only the
P.	Debits.	) transfer of raw materials between two jobs.
Q.	Account No.	)insert "NA."
R.	Credits	)
S.	Stock Cards.	)
T.	Cost.	Accountant initials.
U.	Filled.	Signature of the officer initiating the transfer.
V.	Received.	Date on which the gaining job receives the materials.
W.	Signature of Person Receiving.	Signature of officer receiving transfer, if applicable.

f. Withdrawing Finished Goods (account 15.1) to WIP (Account 18.1). The requisitioning process is the same as withdrawing materials for production, except Account 15.1 shall be inserted in item "Q".

g. Correcting inventory posting errors of quantities or values. This requisition shall be initiated by the Business Manager or his assistant. The initiator, in the Business Office, will sign his/her name in the "Approved by _____"box of FPI Form 49. A number (item D) will be obtained from the Warehouse Supervisor for posting reference. The following clause will be typed on the face of the

requisition to indicate administrative action: "FOR ACCOUNTING PURPOSES ONLY." Cross reference to erroneous document as applicable.

The green copy shall be forwarded to the Warehouse Supervisor for his numerical file. The original shall be filed at the end of the month, and the remaining copies discarded.

308. MONTHLY LABOR SUMMARY, FPI FORM 19

1. Introduction. Direct labor is time spent in the actual production of a finished product or that is immediately identifiable with product costs. Actual direct labor costs will be accumulated and controlled by job or process to determine such actual costs for pricing and production decisions.

The Monthly Labor Summary, FPI Form 19, based on information from timekeeping records, enables daily recording of accumulated direct labor hours and costs by job. The form is only required for factories using standard hourly and group piece rate pay systems. The form shall be used for recording all direct factory labor costs. If department labor costs within each factory are desired, a separate form for each department by job will be used.

A sample FPI Form 19 is displayed in Exhibit 3-N.

2. Responsibilities. The Business Manager is responsible for preparing the Monthly Labor Summary. Essentially, the hours worked on each job are accumulated on timekeeping records under the control of the Factory Manager. These records specify the quantity of work done by grade on each job.

Each day Business Office personnel total the hours worked by grade on each job for the previous day, and post this information to the Monthly Labor Summary. At the end of the month or at completion of the job, the hours per grade are totaled and are coasted using a standard wage rate for that grade or a group piece rate as applicable.

These totals serve as the source of direct labor cost information to be posted to the Production Order and Cost Sheet, FPI Form 9. (See paragraph 306.) They provide data for management review and evaluation of actual costs, as compared to planned costs, and the efficiency of factory foremen in controlling this FPI resource.

3. Preparation. The following instructions shall be utilized in completing the form. Alphabetical letters are references to letters on illustration of the form, Exhibit 3-N.

Exhibit 3-N
Monthly Labor Summary,
FPI Form 17

Block		Explanation
a.	Factory.	Name of factory.
b.	Job/Dept.	Job Number. For process system, enter Department name.
C.	Month.	Month being summarized.
D.	Date.	Calendar day of the month being posted.
E.	Grade/Hours.	Total number of hours worked that day in each grade. For each hour of overtime worked, add one hour to the number of regular hours worked on that date, in each grade.
F.	Total Hours (per day).	Total hours worked on the job for the day. This amount will be the total of the hours worked for all pay grades. Remember to allow for overtime as provided for in the instruction for Block E. This will reduce any required reconciliation that may be required at the end of the month.
G.	Total Hours (by grade).	Add all entries in each Column E. Total hours worked on the subject job for the month by grade.
H.	Total Hours (all grades).	Total hours worked on the subject job for the month. Verify total by adding total hours for each grade, block (G).
I.	Pay Grade Rate.	Approved standard or group piece rate for 1st, 2nd, 3rd, and 4th grade pay. Business Office will determine each rate of pay as provided in Section 8511, Payroll.
J.	Total Cost (by pay grade).	Block G x I for each pay grade.
K.	Total Cost.	Add all Block J amounts. Bring forward to Production Order and Cost Sheet, FPI Form 9.

309. DEFECTIVE WORK/SCRAP REPORT, FPI FORM 31

1. Introduction. Control of scrap and reword includes identification of the defective material as early as possible in the

production process, proper dispostion as to scrapy or rework, and proper documentation and accounting of the costs involved. An explanation of the controls and accounting for defective work and scrap is in paragraph 406.

The Defective Work/Scrap Report, FPI Form 31, shall be used to report all significant defective work and abnormal scrap as defined in paragraph 406.4. The report includes information on the nature and cause of defects, disposition instructions, corrective action and estimated and actual rework/scrap costs. The form serves as a rework authorization and summary of costs. Upon completion, the FPI Form 31 should be used as an aid in the analysis of the job. Copies shall be maintained by the Quality Assurance, Factory and Business Manager.

A sample FPI Form 31 is displayed in Exhibit 3-0.

2. Responsibilities.

a. The Quality Assurance Manager is responsible for developing guidelines for identifying significant defective work and abnormal acrap for each of the product lines in their factories. The QA Manager is also responsible for initiating the report, identifying the cause and recommending dispostion. He will also accumulate and analyze these reports monthly notifying the Superintendent of Industires of key problem area.

b. The Factory Manager is responsible for approval and documentation of any rework to be accomplished and to take action to prevent recurrence of a similar problem. The rework decision is a matter of judgment that can be based on cost comparison as well as subjective criteria such as customer relations. However, the cost effectiveness of the decision should normally be the primary consideration.

c. The Superintendent of Industires is the reviewing authority.

d. The Business Manager is responsible for accumulating and recording costs on this form and the Production Order and Cost Sheet, FPI Form 9.

Exhibit 3-0
Defective Work/Scrap Report,
FPI Form 31

3. Preparation. The following instructions shall be used in completeing this form. Alphabetical Block letters are references to corresponding Blocks on the form in Exhibit 3-0. The department responsible for completion of each block is identified in parentheses at the endo of each explanation. The use of the FPI Form 31 is summarized in the flow chart, Exhibit 3-P.

Block		Explanation
A.	Factory	Name of Factory involved.
B.	Date.	Date of report. (Quality Assurance (QA)).
C.	No.	Number of report. Assigned by Quality Assurance Supervisor. Numbering system should be consistent and provide different series for different factories in multiple factory locations. (QA)
D.	Department Responsible.	Production department responsible for defective work. (QA)
E.	Job Order No.	Job order number on which defective work is discovered. (QA)
F.	Nature of Defect.	Short statement identifying nature and extent of defect. (QA)
G.	Cause of Defects.	List cause(s) or defect to the extent possible. If further study is required, so state. Include action taken to prevent recurrence. (QA). (Continue on reverse, it necessary)
H.	Estimated Cost.	Estimated cost of rework or replacement to include material labor and overhead.
I.	Disposition.	Check (X) whether defective work should be reworked, scrapped for salvage value, or disposed of as waste. (QA).

Exhibit 3-P

Block		Explanation
J.	Corrective Action	Action taken by Factory Manager to prevent reccurrence. (FM)
K.	Initiated.	Initial of Quality Assurance Manager. (QA)
L.	Approved.	Signature of Factory Manager indicating approval and review of report. (FM)
M.	Description of Work to be Done.	Describe addition reword required. including amounts of material and labor that will be required. (FM)
N.	Dept. No.	Department number or name where rework is to be done. (FM)
O.	Material (Costs Incurred)9	Material costs of rework. Obtained from copy of FPI Form 49 maintained in job order file. (Business Manager (BM))
P.	Labor Hours.	Direct labor hours spent of rework. (BM)
Q.	Labor Cost	Cost of labor spent on rework. Obtained by multiplying applicable labor rate x hours. May use actual rates of average. If rework is being done on a job that has already been completed, all labor costs after the job is reopened would be rework costs. These costs should be determined from the Monthly Labor Summary, FPI Form 19. However, if a job is still open, rework and normal labor hours would be mixed on the Monthly Labor Summary and an average labor rate would be more practical to use in determining labor reqork costs. (FM)
R.	Overhead	Manufacturing (overhead) expense is determined by multiplying the overhead base (labor cost) by approved factory overhead rate. (BM)
S.	Total Cost.	Total of O, Q, and R. (BM)
T.	Reviewed.	Signature of the Superintendent of Industries indicating approval. Also, enter data of

signature.

PART 4

ACCUMULATION AND CONTROL OF MATERIAL COSTS

400. INTRODUCTION

Job and process are the principal costs systems. For those systems, either acutal or standard costs can be allocated to production. All cost systems revolve around three basic cost elements: direct materials, direct labor, and overhead expenses.

UNICOR'S primary forms for accumulating data regarding those cost elements have been identified and explained in Part 3, Proauction Cost Forms. The relationships of those forms to the basic cost elements, data needs, and accumulation methods are discussed in this Part 4, Accumulation and Control of Material Costs; Part 5, Accumlation and Control of Labor; and Part 6, Accumulation and Control of Overhead Costs.

401. DEFINITION OF CONTROL OF MATERIAL COSTS

Material control is a process of systematically accounting for materials. Material control, as discussed in this Part, will apply to the charging of raw materials to the job through work in Process to Finished Goods Inventory. Controls governing procurement of materials, their receipt in inventory, and shipment from Finished Goods are discussed in Section 8509, Inventory.

402. PURPOSE OF MATERIAL CONTROL

Some of the purposes of material control for cost purposes are to assure:

- Material is charged to jobs in actual quantities, and the charges are consistent with costs estimates.

- Adequate care of materials after delivery to the production area, whether in original form or during various stages of production.

- Adequate control and documentation of defective work and scrap.

403. RESPONSIBILITIES

1. Factory Manager. Primary responsibility for material control in production activity rests with the Factory Manager. His/her main responsibilities are to assure:

- No materials enter production without proper documentation (Stores Requisition and Transfer, FPI Form 49).

- No material requisitions in excess of the Material Control List, FPI Form 48, requirements for a job, shall be approved unless justified by documented proof of loss, damage, or increased production requirements. See paragraph 307, Stores Requisition and Transfer; and 309, Defective Work/ Scrap Report.

- Accountability of transfer of materials between departments.

- Control, identification, and reporting of scrap and rework (Defective Work/Scrap Report, FPI Form 31).

Factory Managers may assign their responsibilities to factory foremen, provided they are able to maintain the controls necessary to insure compliance.

2. Quality Assurance Manager. The Quality Assurance Manager's primary responsibilities are to:

- Inspect various phases of the production cycle for compliance with established specifications of the product.

- Identify non-conforming products and assist the Factory Manager in determining whether to rework or scrap.

- Initiate a Defective Work/Scrap Report, FPI Form 31, for products to be reworked or scrapped. See paragraph 309.

3. Business Manager. The Business Manager's primary responsibilities related to materials are to:

- Comply with FPI inventory management requirements, including accounting for all materials received, stored, issued, and returned to the warehouse; providing for physical inventories; and assuring protection while they are under his/her control.

- Record the consumption of materials by jobs and processes.

- Compile and analyze data regarding items received, on hand, and consumed including production variances for estimates.

- Establishing procedures to account for shop stock, wherever such an acount is authorized.

- Perform other necessary accounting functions such as journal entries, ledger postings, reconciliations, reports, and advising.

- Acquire needed items for stock or production.

404. IMPLEMENTING CONTROLS

Implementation of material controls in the UNICOR cost system is designed not only for accountability of each item requisitioned and put into process, but also to establish a series of checks and reviews to assure that these materials become a part of finished goods or are otherwise identified as to disposition. These controls are primarily identified in the dicussion of production forms in Part 3. The remaining paragraphs in this Part 4 concern unassigned material, defective untis and scrap, packing and storing, and other material costs.

405. RAW MATERIAL-SHOP STOCK (ACCOUNT 20.4)

Occassionally, materials in excess of the immediate requirements must be drawn. This situation may arise when the nature, size, or type of material dictates that the exact quantity required cannot be requisitioned or when material is required to be processed in some manner prior to being assigned or distributed to an individual job. Establishment of this account requires approval of the Product Divison and Resources Division Managers.

1. Accounting for Shop Stock. Account 20.4, Raw Materials-ShopStock, items will be stored in a storage facility under the control of the Factory Manager. Stock cards will be maintained by the Factory Manager for each item. Subsidiary General Ledger stock records will be maintained by the Business Office for each item.

a. Job System. Job system shop stock will be processed by use of a Store Requisition and Transfer, FPI Form 49. Procedures for processing issues to or form unassigned materials by use of FPI Form 49 are described in paragraph 307 of this Manual. Basically, this system

will function the same as the inventory system for raw materials, except that the Factory Manager is responsibile for control. This stock shall be inventoried monthly by the Factory Manager. FPI Form 63 or local forms shall be used to document the inventory. Any differences shall be reported to the Business Manager for inventory adjustment.

b. Process System. Process system issues to shop stock will be by FPI Form 49, processed as described in paragraph 307.

A monthly inventory will be performed by the Factory Manager. Credits to the shop stock account will be determined based on the results of that monthly inventory. Credit to the account will represent the value of beginning balance, plus issues, minus ending inventory. Charges to the job being transferred from shop stock will be based on established standards. These standards shall include allowance for normal scrap and defective work units. Any differences between the material standards applied to the jobs and the actual usage for the month from shop stock shall be charged to Cost of Sales-Abnormal Costs, Account 56.3.

2. Periodic Review and Inventory by Business Manager. The Business Manager is responsibile to perform a semi-annual inventory and review of shop stock. The inventory will be recorded on FPI Form 63 and processed according to instructions in Section 8509, Inventory. Any items in the inventory not currently being used, or not having an early anticipated use, shall be repackaged, properly marked as to contents, and contra requisitioned to Raw Materials Inventory, Account 20.1.

406. SCRAP AND DEFECTIVE WORK

1. Definitions

a. Defective Work. Defective work is production that does not meet product specification or quality standards. It may be (1) reworked and brought up to standard by the application of additional material and labor for sale as firsts or seconds; (2) taken out of process and reclaimed for use in another size or form; or (3) sold for scrap value.

b. Scrap. Scrap is material residue from manufacturing operations that has measurable, but relatively minor, salvage value. For example, outlined metal from a stamping operation, and shavings and short lengths from woodworking operations. Scrap will be sold in accordance with FPMR Regulations (Title 41, Part 101-45, of the Code of Federal Regulations).

c. Waste. Waste is material from manufacturing operations that cannot be used, has no salvage value and must be thrown away.

2. Material Losses Outside Production. Material losses also occur outside the production process. Material losses due to excessive warehouse handling, shelf life expiration, evaporation, natural deterioration, etc., shall be charged to Manufacturing Expense Control-Damaged/Obsolete Property (Account 57.14). Material losses due to such things as fire and flood shall be charged to Extraordinary Loss (Account 78) as outlined in Section 8509, Inventory.

3. General Procedures. Control and accountability of defectivework in an important part of the production planning and control system. Most manufacturing processes generate some bad units along with acceptable units as an unavoidable or inherent result of production. The cause of losses in this area should be identified and every effort should be made to keep the cost of defective work as low as practicable through improvements in operating procedures, changes in machine design, use of different raw materials, etc. Each factory is required to identify, control and account for the cost of defective work. Management must insure that the incidence of defective work is controlled within predetermined limits. The methods prescribed in this section for identifying, controlling, and accounting for these costs are preferred. However, any method that provides the desired information and internal controls is acceptable if approved by the Product and Resources Divisions Managers.

4. Control. The goal of a system to control the cost of defective work is to identify and control those costs as early as possible in the production process. Key elements of such a system are:

- Effective production planning and schedul to insure the most economical combination of the factors of production.

- A material control system to monitor the usage of materials during the production process.

- An effective quality assurance program to identify and report defective work, make determinations as to whether the work shall remain in process for reqork or be scrapped, and to recommend immediate action to improve/correct the operation.

Each of the elements is dependent upon the other to successfully identify and control these costs.

Effective control is also required over decisions to rework defective units to insure that such rework is more economically advantageous than salvage. Where expected costs of rework are expected to be significant, the Quality Assurance Manager shall initiate a Defective Work/Scrap Report,

FPI Form 31. What is significant defective work or

abnormal scrap can vary between products and factories and identiifying it is a matter to judgment. Materiality is the key factor. For example, $25 in expected rework costs would not be significant for a $750 desk but would be for a bedside cabinet costing $75. A 25¢ rework charge is not significant in itself but a 25¢ rework charge on 10% or each locking cord fastener (cost - 50¢) inspected during a day would be significant.

The Quality Assurance Manager should develop guidelines for each of the product lines in a factory defining the points at which a Defective Work/Scrap Report, FPI Form 31 would be initiated. A general guideline that can be considered is the lesser of $100 or 10% of the estimated cost for the unit involved. However, no one guideline will apply to all types of products and factories in UNICOR. A suitable guideline applicable to specific products/factories needs to be developed.

5. Accounting

a. General. Controlling and accounting for the costs of defective work require distinguishing between normal and abnormal or excessive costs of defective work.

Normal costs of defective work are those which management expects or accepts during a job or production run under efficient operating conditions. Examples would be losses due to mishandling, worn dies, inferior materials, operating error, etc., which are within limits that are expected by management. These costs are considered inherent to a job or process and shall be included as part of the costs of that job or process.

Abnormal or excessive costs of defective work are those which are not expected to arise under efficient operating conditions and are not an inherent part of the job or process. Abnormal costs are considered to be controllable in the sense that the first line supervisor is expected to develop efficiencies in production that limit defective work to predetermined tolerances. They are caused by the same operating factors as normal costs; however, abnormal costs signify a greater then expected rate of occurrence. These costs are to be considered a period expense and charged directly to Cost of Sales-Abnormal Costs (Account 56.3)9

The distinction between costs of defective work chargeable to jobs and abnormal costs, in many cases, is a matter of judgment. The usage or need for materials in excess of those allowed on the Material Control List, FPI Form 48, should be an indicator to the Quality Assurance Manager and Factory Manager that material usage is exceeding expected limits for that particular operation. Jobs identified to the Business Office on the Defective Work/Scrap Report, FPI Form 31, must

have the excess costs identified and accumulated and recorded on the FPI Form 9 and 31 for charge to Manufacturing Variance-Abnormal cost (Account 58.1).

b. Sources. Defective units will normally be generated from four sources:

- Due to special circumstances such as design change, substandard material from vendor, deficient customer specifications, etc.

- During production due to planning or production inefficiencies.

- As a result of Finished Goods Inventory inspection.

- Customer return.

The Defective Work/Scrap Report is a source document for the identification and costing of rework on defective untis. Details for the use and preparation of this form are contained in paragraph 309.

c. Deficient Customer Specification. Defective units can result from deficient customer specification/instructions. UNICOR can recover excess costs in these cases and action shall be taken to obtain price increase from the customer to cover the cost. Rework costs shall be identified on a Defective Work/Scrap Report, FPI Form 31, which will serve as the basic document for initiating a request for a higher price or reimbursement for that job. Rework shall not be initiated until customer approval of increase cost or Product Division authorization is received. All additional costs will be charged to the job.

d. Substandard Raw Material from Vendors. Defective units can result from substandard raw materials supplied from a vendor. Abnormal losses due to excessive imperfections or material specification deficiences will be reported by the Quality Assurance Manager on a Defective Work/Scrap Report, FPI Form 31 (Exhibit 3-0). The report shall be forwarded to the Business Manager and should identify the nature of the defect and the reason for rejection. The Business Manager shall notify the procurement agent of any substandard material who shall then be responsible for obtaining credit or replacement for the defective materials. Every effort shall be made to obtain reimbursement from the vendor for all rework costs associated with the substandard material including labor and overhead.

The costs assocaited with substandard raw materials are not considered to be inherent to the job and will be credited to Work In

Process (Account 18), and debited to Raw Materials and Supplies-Defective Material (Account 20.2), through JE 12 pending disposition of the defective materials.

e. Deficient Planning or Production. This refers to defective work generated by planning or production iinefficiencies such as machinery breakdown, preparation, tooling, worker productivity, etc. The untis affected are normally identified during the production process by Quality Assurance personnel and documented on the Defective Work/Scap Report, FPI Form 31. See paragraph 309.

The cost of material will be determined by the actual material requisitioned to replace the defective units. Labor and overhead losses related to the defective units can be determined from data accumulated on the FPI Form 9 and analysis of the FPI Form 58 for the product.

From these, it will be possible to make a reasonable determination of the labor and overhead costs that should be charged to the defective work.

The costs associated with defective work generated by deficient planning or production are not considered to be inherent to the job and will be charged to Cost of Sales-Abnormal Costs, Account 56.3.

f. Defective Work Returned From Customers. Customer returns of defective finished goods which are to be reworked shall be inspected by the Quality Assurance and Factory Managers upon receipt. The Quality Assurance Manager shall initiate a Defective Work/Scrap Report, FPI Form 31, for all significant rework costs as determined by paragraph 406.4. It shall include a determination of the material, labor and overhead costs that will be required. The Business and Factory Managers should be utilized in making this determination. The original cost can be obtained from the Shipping Order, FPI Form 8. The FPI Form 31 must be prepared within three working days of receipt of goods.

A Receiving Report, FPI Form 11, can now be prepared for the defective items. It shall be prepared within one day of receipt of the defective items. If a FPI Form 31 is required, the receiving report shall be prepared within 1 day of completion of the FPI Form 31. Any excess costs shall be debited to Cost of Sales-Abnormal Costs, Account 56.3. The original cost of sales less any charges to Manufacturing Variance or Other Expense shall be debited to Raw Materials and Supplies-Defective Material, Account 20.2. The total of these costs shall be credited to Cost of Sales, Account 56.1 or 56.2 as appropriate.

A journal entry (JE 22b) must also be prepared to adjust sales and reduce receivables or establish liability as appropriate. The selling price of returned goods shall be debited to Sales Return for Rework, Account 54, and credited to Accounts Receivable, Account 10, if the sale is still a receivable, or Accounts Payable, Deferred, Account 70.5 if payment has alrady been received.

The defective units shall be put into production under the orginal job number and charged to Work-In Process Material, Account 18.1, at the value at which the job was put into Raw Material and Supplies-Defective Material, Account 20.2

All additional costs incurred will be charged to Work-In-Process Inventory as in normal costing procedures. Prior to the transfer of the reworked products to Finished Goods Inventory, any significant rework costs in excess of those estimated on the Defective Work/Scrap Report, FPI Form 31, shall be charged to Cost of Sales-Abnormal Cost, Account 56.3, through JE 18a. All costs of rework shall also be documented on the Defective Work/Scrap Report, FPI Form 31. See paragraph 309.

Example: A desk is returned for rework. It had been sold for $400 with a cost of sales of $350. The Quality Assurance, Business and Factory Managers estimate rework costs at $100. Accounting entries for this example would be as follows:

JE-8a

DR 20	Raw Material and Supplies .2 Defective Materials	$250
DR 56	Cost of Sale Control .3 Abnormal Costs	$100
CR 56	Cost of Sale Control .1 Sales to other Government Agencies	$350

JE-22b

DR 54	Sales Return for Rework .1 Rework - Other Government Agencies	$400
CR 10	Accounts Receivable Control .1 Accounts Receivable - Government	$400

407. PACKING AND STORAGE COSTS

1. Containers and Lashings. Packing containers are normally controllable and identified to a specific or proces and should be charged to the job as a direct material. Lashing which comes in bulk or bales and is merely usued for protective wrapping such as cardboard, wrapping paper, twine, stacking skids, etc., should normally be considered indirect material and charged to Account 57.31, Packing and Shipping Expense.

2. Special Customer Requirements. Special packing, which is required to meet special customer requirements, shall be included in the Unit Cost Estimate, FPI Form 73, and charged to the job or cost projective. For example, a locker requiring extra protective wrapping for overseas shipment shall have packing and crating costs charged to the job as direct material/labor/overhead.

3. Multiple Charges. In certain circumstawnces, it may not be practical to charge packing cost to a job. Examples are combining several components produced on various jobs or removal of several finished goods items from stock to be packed as a unit to meet a customer request. Such costs shall be charged to Account 57.31, Packing and Shipping Expense.

408. MANUFACTURED COMPONENTS (SUB-ASSEMBLIES)

A manufactured component is a part of a product manufacutured by UNICOR to be subsequently installed as an integral part of a main unit or assembly. These components shall be manufactured under a separate job order issued internally. Completed components or sub-assemblies will be charged to Raw Materials Inventory (Account 20.1) on the summary of Work In Progress, FPI Form 51. (See paragraph 1103)

409. SPECIAL TOOLING

If a customer inquiry order requires special tools, dies, jigs or fixtures, and such equipment is to be purchased or manufactured, these costs shall be included in the Unit Cost Estimate for the product.

In scheduling the production, the Factory Manager shall issue a separate sub-Production Order and Cost Sheet, FPI Form 9, to cover the production of these items. He/she will assign such job immediately following receipt of the work order(s) for th product itself.

Once completed a proportionate amount of these special equipment costs will be charged to the products transferred to Finished Goods, based on anticipated production at the end of each month. This will be done so that Work in Process Inventory, at the end of the month, includes the remaining costs of the special equipment applicable only to the uncompleted orders anticipated order for the product itself.

If it is determined that the special tools, dies, etc., are to be utilized on recurring jobs, the Division Manager, upon request of the Superintendent of Industries, shall authorize such equipment to be recorded as a deferred expense in lieu of being charged to the intial job. The deferred charge should be amortized based on usage. If the tools, dies, etc. are of substantial value, however, and expected to have at least a three-year life, they should be capitalized and normal depreciation guidlines applied.

410. EXTERNAL PRODUCTION WORK

In those instances where a factory does not have the resources to handle certain phases of the production process, the cost of having such work completed by contract services or other UNICOR factories shall be charged as a raw material cost.

For example: dyeing, plating or other finishing work. Effective control must be established for these units pending their return from the outside contractor. Upon completion of such work, the product involved shall be returned to Work-In Process or Raw Materials Inventory, depending on usage requirements for the material.

In contracting for production work, the purchase agreement must give consideration to damage of products by the supplier of the contract service. Generally, an allowance can be made for a minimal number of damaged products. However, excess damage should a be charged to the supplier. Accounting for the cost of contract service must include value of damage products as well as the cost of the contract service.

Any excess damage should be applied as a reduction in the contract cost of the service supplied. For example, production work involving cost to date of $1,000 and a contract price of $500 for finishing work resulted in ten percent of the products being damaged to the extent that the products could not be sold to UNICOR customer. UNICOR's contract with the outsider made an allowance for damage of one percent. Upon return of the products from the outside contract, the UNICOR Form 9 "Production Order and Cost Sheet" would be updated. A cost increase of $350 ($450 for the contract service on good units completed (500 x 10%) less a $90 credit for excess damage (units worth $100 damaged less $10 for the allowance for damage). Unvouchered receipts account 70.3 would be credited for the $360 and Work-In-Process Materials, Account 18.1 debited for $360.

411. RESEARCH AND DEVELOPMENT COSTS (PROTOTYPES)

1. Definition. Research and Development (R&D) is a planned program directed toward the search for new products, new manufacturing techniques, improving existing products, solving technical problems, or expanding general knowledge within the various product lines.

2. Authority. The Product Division Manager has the authority to initiate a research and development project or the manufacture of a prototype not to exceed $10,000. Any R&D project with an anticipated cost in excess of $10,000 will be forwarded to the Deputy Associate Commissioner by the Product Division Manager with the appropriate project design blue prints, cost estimates, etc., for approval.

3. Accounting. The costs incurred for an R&D project can generally be deferred and amortized if they can be specifically identified with future revenues. To defer the costs of pure research or unsuccessful research projects which cannot be identified to furture revenues would distort the balance sheet and the income statement and should be expensed to factory or divisional expense as incurred.

Recommendations as to accounts to be used and whether the associated costs shall be expected or amortized shall be developed by the Business Manager at the project location in accordance with the guidelines of this paragraph 411. They shall then be forwarded to the Product Division and the Resources Division for review and approval.

4. Procedures. Cost accumulation for an R&D project or the manufacture of a prototype will be accomplished like and ordinary job. A job order number will be assigned upon receipt of a project number or a written authorization from a Product Division. Material, labor, and manufacturing overhead will be charged to all manufactured prototypes and summarised monthly on the FPI Form 51, Summary of Work-In-Process.

(See paragraph 1103.) Travel and shipping expenses incurred that are related to the program shall be charged to the prototype.

Costs of completed prototypes determined to have future benefits in terms of service or earnings shall be charged to Deferred and Prepared Expense Control, Prototype Products, Account 40.2. An Equipment Card, FPI Form 13, shall be prepared for each prototype. Information recorded on that form shall include a full description of the item, reference for manufacturing authorization, date or manufacturing, location, and total cost. Prototypes shall not be depreciated.

Cost determined to have no future potential for earnings shall be expensed to Selling Expense Control-Experimental Expenses, Account 64.11, if related to a specific factory.

411.4 The Product Division may authorize transfer of these costs to the division through Account 97 chargeable to Product Division Expense-Experimental Expense if the expense is applicable to several factories.

Shipments of prototypes to a designated inspection point (e.g., Central Offices, Division Office, or customer) will be accomplished using an X-Snipping Order, FPI Form 8. No accounting entries are necessary, but the location and date of shipment shall be noted on the Equipment Care, FPI Form 13. Equipment Cards shall be reviewed quarterly to determine the current status of the prototype.

The Product Division Office will notify the factory if the customer accepts the prototype. The customer shall then be billed for the selling price of the item per a customer contract or Product Division written instructions. Deferred and Prepared Expense Control-Prototype Products, Account 40.2, shall be credited for all costs associated with the prototype. Cost of Sales Control, Account 56, shall be debited for a reasonable or production run cost of the item being sold. Any related costs remaining in the prototype Product Account for developing, engineering, and researching the prototype may be:

- If significant, left in Deferred and Prepaid Expense Control, Account 40, and amortized proportinatey over early production runs until all of the costs have been absorbed.

- Charged to the initial production job immediately if remaining costs are considered to be minimal.

- Charged to current overhead expenses of the Product Division if the costs are applicable to several factories in the Division.

- If these costs are significant they shall be redistributed to all applicable factories for amortization. If this option is used, the Product division shall insure that these costs are considered when determinig selling price.

412. MINIMUM BUY

There are instances where excess materials procured for a job remain after its completion. Examples are vendor requirements to buy in a minimum quantity which is in excess of actual needs or buying a small percentage over actual requirements to insure against inherent production losses. In these instances, the entire cost of the total quality purchased will be charged to the job. Excess material generated by vendor minimum order requirements for which the customer was charged shall be shipped to the customer if he desires and if so stated in the contract.

Excess material generated in these instances will be evaluated for probable future use. Any unwanted materials shall be discarded as waste or sold for salvage value as applicable. Materials that are to be retained that are immaterial in value or volume may be added to current stock control card balances at no cost.

Significant items that can be identified against a valid current of future need shall have a value assigned through Account 97, Washington Control at no less than 75% of current value and added to the current stock control card for the item.

If significant amount (volume or value) of material is retained and there is no current requirement for it, it shall be placed in Account 20, Raw Materials & Supplies Control at no value. Separate stock control cards will be maintained by quantity only for control purposes. Any of this material required for use or identified for use against a valid customer order within one year may be retained. This material required shall have a value assigned as donated material through Account 97, Washington Control purposes. Any of this material required for use or identified for use against a valid customer order within one year may be retained. This material required shall have a value assigned as donated material through Account 97, Washington Control at no less than 75% of current value and added to the current stock control card for the item.

Any material for which no need is established within one year shall be processed for disposal in accordance with Federal Property Management Regulations (Code of Federal Regulations, Title 41, Part 101-43). An inventory of these items will be submitted to the Resources and Product Division at the end of each fiscal year to include description, quantity and estimated value.

413. BY-PRODUCT COSTING

By-products are products or materials with relatively minor value that result during the manufacture of a main or larger product. Example: the off-fall from the manufacture of a desk top or steel upright can be used to make a drawer front or corner brace. In general, by-products have relatively more value than if the were scrapped, and require further processing before they can be used. The materiality or significance of the dollar value or volume of the item compared to the end unit being processed influences the accounting treatment to be used.

By-products that are saved or further used as a normal part of production of a main product shall have their costs transferred from that product to the product on which they are to be used. Example: each time table tops are cut, the off-fall is used to make drawer facings. Since this is the planned and intended use for the cuttings, their cost shall be transferred to that job.

By-products from a product that are only used when a requirement exists for the by-product may be handled in several ways.

- If the volume or dollar value of the by-product is significant relative to the total cost of the item to be made from it, the cost of he by-product material shall be transferred through JE-12 to the job on which it is used. Any costs transferred from a product that are a planned part of the product's cost structure and normally included in its costs shall be noted on the back of the FPI Form 9 to insure pricing and cost analysis actions are not influenced by this transfer.

PART 5

ACCUMULATION AND CONTROL OF LABOR

500. PURPOSE

Cost accounting for labor has two primary objectives beyond documenting payment of inmate workers. It seeks to (1) determine labor costs of products/services, and (2) report labor costs for management planning and control.

It is important to determine labor costs for products/services in order to have a valid basis for evaluating production efficiency. To obtain the most effective control of labor costs, FPI accumulates labor hours as incurred and charges them directly to the manufacturing process or job. These costs are then compared to labor standards for each product to highlight labor efficiency and guide management in planning for actual labor costs in the future.

501. CLASSIFYING DIRECT AND INDIRECT LABOR

Direct labor is that which can be readily identified with a specific job or process (w.g. grinder, assembler, or welder).

Production labor which cannot be readily traced to a job, or work performed in support of production is considered indirect labor (e.g., time of receiving clerk, warehouseman, accounting clerk, supervisor, or maintenance).

Care shall be taken not to classify a position indiscriminately as direct or indirect. Some positions may alternate between the two classifications depending upon the size or time factor of a job (e.g., quality assurance inspector, forklift operator and packaging). Packaging for one product may be an indirect cost and for others, a direct cost. A guideline that can be used in making the determination is the classification that it was given on the Unit Cost Estimate, FPI Form 73, and the Labor Estimate/Time Study, FPI Form 58, for that job.

There are several time periods during the work day that are not spent directly on production but are essential to production effort and shall be charged as direct labor. These include start up time, tool issue, coffee breaks, clean-up and material handling. These events are routine and should be charged as direct labor. New employees, while developing their skills and considered in on-the-job training, shall be considered as direct labor.

502. ACCUMULATING AND ACCOUNTING

1. Requirements, General. Direct labor cost is the primary base used by FPI in allocating overhead costs. It is essential that direct labor costs associated with each process/job be as accurate as practical. For this reason, FPI factories will accumulate and report actual labor hours for both job order and process cost systems.

Factories on individual or group piece rate pay systems will accumulate and report unit production and hours as required by the particular pay system being used (see Section 8511). The initial recording of this information is the most important step in our labor cost accounting system and is the responsibility of the Factory Manager. Proper segregation between direct and indirect labor is important because, as mentioned above, factory overhead will normally be applied as a ratio to direct labor cost. Unless the distinction between direct and indirect labor is clearly made and consistently followed, serious errors in overhead allocation can result. Failure to properly classify these costs not only misstates the labor cost used as an overhead application base, but also incorrectly increases or decreases the total overhead which must be applied.

The department foremen are responsible for accumulating and verifying the accuracy of labor information reported. Once the labor information is accumulated, it is forwarded to the Business Office. The Business Office uses the information to (1) document payments to inmate workers (see Section 8511, Payrolls); (2) apply overhead to each job (see paragraph 605, this Manual); and (3) report labor cost on the Monthly Job Labor Summary, FPI Form 19 (paragraph 308).

The Business Office shall establish checks and balances on the payroll documentation to insure the accuracy and validity of payroll and cost data. (See Section 8511, Payroll.) These measures shall include:

- Reconciliation of hours reported on Door Check Sheet, FPI Form 6, against Inmate Daily Time Tickets, FPI Form 40, or foreman's summary of work performed. This should be accomplished using random sampling techniques.

- Reconciliation of Payroll Cards, FPI Form 93, against total of indirect and direct payrolls. This shall be accomplished monthly but can be done several times each month to insure accuracy of jobs closed during the month and to improve the efficiency of monthly reporting.

- Review of reasonableness of direct labor costs remaining in Work-In-Process by comparing labor costs entered on the Production Order and Cost Sheets, FPI Forms 9, with labor standards for that job or process. This can be accomplished by comparing Factory Manager estimates of percentage of job completion with the data for the product listed on the Summary of Labor Rates, FPI Form 58. Any variations of plus or minus 10% from these standards should be brought to the attention of the Factory Manager. Abnormal or excessive labor costs shall be charged to Cost of Sales Control-Abnormal Costs, Account 56.3 through Journal Entry 18. Excess labor costs due to a change in process or erroneous labor estimates shall be charged to the job, and the Labor Estimate/Time Study, FPI Form 57, the Summary of Labor Rates, FPI Form 58, and the Unit Cost Estimate, FPI Form 73, shall be revised as required.

2. Accounting. Direct labor shall be accured to the job in Work-In-Process Inventory-Labor in Process, Account 18.2, and indirect labor to Overhead Expense Accounts Labor Indirect Inmate, Account XX.05, through Journal Entry 10. Overhead expense is applied to Work-In-Process, Inventory-Overhead in Process, Account 18.3, through Journal Entry 17. Upon completion of units, costs are transferred to Finished Goods Inventory through Journal Entry 18. Analysis of the variances between actual and applied overhead is made monthly on the FPI Form 3.

3. Standard Payroll System. The system used to obtain the labor data can be one where inmate workers maintain their own time tickets or the department foreman can keep the time records for all workers in the department. Inmate workers, who keep their own time tickets, will use a form similar to FPI Forms 40, Inmate Daily Work Report, 40-A, Inamte's Daily Piece Work Report; or 40-B, Daily Time Ticket. Exhibit 5-A is a sample of a labor accumulation system that may be used. Each worker shall be advised of his responsibility for reporting accurate total time and activities each day. Pay rates used will be those authorized in the Payroll Section, 8511.

4. Individual Piec Rate System. The system used to obtain labor data can be used in several ways depending upon the particular operation. The number of pieces produced can be monitored at the entry or exit point of an operation. The forms used to record other data should be locally developed so as to insure their applicability to the system in use. Essential elements of the system must be controls and checks to insure the validity of production being credited to each worker. Pay rates will be established in accordance with paragraph 303, Labor Estimate/Time Study, of this Manual, and Section 8511, Payroll.

Exhibit 5-A

5. Group Piece Rate System. The data used to determine group pay rates may be based on production units or dollar value. These totals may be computed as completed units or equivalent units produced, as established by management personnel. Time required to complete a unit shall be established in accordance with paragraph 303 of this Manual. Instructions outlined in subparagraph 502.3, Standard Payroll System, may be used for acumulation of direct hours. The Business Office will determine pay rates for each worker as outlined in Section 8511, Payroll.

503. OVERTIME WAGES

Overtime earnings are composed to two elements: (1) regular straight time pay, and (2) premium pay for work performed in excess of the regular working period.

Normally, overtime premium paid to factory workers is considered manufacturing overhead, indirect labor. This determination, however, will depend upon the nature of the overtime. If no single job is responsible for overtime, even though one is caught by chance in all overtime period, the overtime premium will be treated as a charge to manufacturing overhead. Conversely, if a job is individually responsible for overtime due to a short delivery deadline known when the job was undertaken, it would be justifiable to charge overtime premium directly to that job.

The Factory Manager will notify the Business Manager of any jobs that should be charged with the premium portion of the overtime. The basis for allocating manufacturing overhead to the job, however, shall be on regular straight time pay only. Overtime premium shall not be included in the overhead application base.

504. SETUP TIME

Machinery and equipment must often be adjusted or prepared before a particular operation or job can be started. This setup time is usually easily traceable to an operation or job, and is seldom affected by whether 500 pieces of 5,000 pieces are to be processed.

These setup costs should be treated as direct labor if the cost is significant and can be traced to a job or process. The Factory Manager and the Business Manager shall make the determination on how the costs are to be classified.

505. IDLE LABOR

Basically, the idle labor is lost productive time. Idle labor caused by machine/equipment breakdown and pour production planning is generally considered avoidable. Factory Foremen shall consider this time as direct labor. The time spent in this status and the cause shall be noted on the time ticket or on a seperate memo to facilitate costing and analysis of the job by the Business Manager and Factory Manager.

Idle labor caused by lack of business, power failure, and lack of raw materials is generally considered unavoideable. This time shall be charged as indirect labor.

Time spent on training other than on-the-job training will, also, be treated as indirect labor and included in overhead.

Classification of idle labor as avoidable or unavoidable is a matterof judgment. Several of the examples given can be classified either way depending on the cause.

Factory Foreman shall be responsible for submitting a seperate time ticket or sheet to the Business Office for all idle time with a brief explanation thereon. These reports should be reviewed and initialed by the Superintendent and the Factory Manager as an aid in avoiding or minimizing idleness in the future.

PART 6

ACCUMULATION AND CONTROL OF OVERHEAD COSTS

600. DEFINITION

Stated simply, overhead includes all of those manufacturing or production costs that have not been classified as direct material or direct labor. They are indirect manufacturing costs that cannot be identified in a practical manner with specific units of production. They are identified in Form 4, Summary of Expense, Exhibit 11-A.

601. CHARACTERISTICS

1. Types. Overhead expenses have characteristics that can be classified as fixed, variable, or semivariable.

a. Fixed Overhead. Fixed costs are not affected by the volume of production activity. They provide plant capability for anticipated production volume and are "constant" costs. Included in FPI's fixed costs are civilian salaries, depreciation, rent, etc.

b. Variable Overhead. Variable overhead costs fluctuate directly with a change in volume. Strictly variable costs would be zero during periods of no production. FPI's factory supplies, royalties, and freight, generally, have variable characteristics.

c. Semivariable Overhead. Semivariable costs vary with the volume of production, but not in direct proportion. FPI's inmate indirect labor, utilities, and vehicle operations have semivariable characteristics.

For convenience, these classifications are illustrated in the diagram below.

OVERHEAD
EXPENSES

FIXED	VARIABLE	SEMIVARIABLE
Civilian Salaries	Factory Supplies	Inmate Indirect Labor
Depreciation	Royalties	Utilities
Amortization	Freight	Vehicle Operations
etc.	Repairs	etc.
	etc.	

2. Analysis and Planning. Understanding and recognition of these overhead account characteristics is essential to accurate operations analysis and budget development. When operations are substantially below factory capacity, the profit or loss factor will be greatly affected by the extent of fixed expenses and control over semivariable and variable expenses. In developing the annualized overhead rates, fixed, semivarialbe, and variable characteristics of overhead expenses need to be considered to arrive at a meaningful rate.

602. OPERATIONAL EXPENSES

Operational expenses include production overhead expenses and other administrative and general expenses related to the industrial operation.

UNICOR's production overhead include Manufacturing Expense (Account 57), Quality Assurance Expense (Account 61), Warehouse Expense (Account 62) and Business Office Expense (Account 63). These are the major indirect expenses considered in estimating and costing overhead as part of the pricing and cost analysis of products.

Other operational administrative and general expenses may include Selling Expense (Account 64), other Expense (Account 65) and Pre-Industiral Training (Account 66).

603. NON-OPERATIONAL EXPENSE

Non-Operational expenses are those corporate expenses not directly related to production at the factory level and include Support Division Expense (Account 71), Product Division Expense (Account 72), Corporate Administrative Expense (Account 73), Extraordinary Losses (Account 78) and Discontinued Operations (Account 79). Other general non-operational expenses are those for non-industrial inmate training and programs supported by UNICOR and include Vocational Training Expense (Account 75), Vocational Training Experiment Expense (Account 76), and Performance Pay

(Account 77).

604. ACCUMULATION OF MANUFACTURING OVERHEAD

1. Ledger Accounts and Entry Sources. Overhead costs accumulated in General Ledger Accounts are further identified in the General Ledger by Sub-accounts such as civilian salaries, inmate labor, etx. (See Chart of Accounts, Section 8501).

The entries to the General Ledger accounts are made monthly based on summaries of voucher register, receiving report register, requisition regsiter, accruals, etc. The principal originating documents for these registers are vouchers, receiving reports, requisitions, depreciation schedules, report of inventory differences, etc.

2. Costs Applicable to More than One Department/Factory.

a. Factory Expenses. In some instances, production overhead expenses may apply to more than one factory. Significant expenditures encompassing more than one factory shall be apportioned to each based on a reasonable allocation basis through the applicable nominal sub-account. Example: cost of paint bought to repaint all factory walls can be apoortioned to each factory based on square footage of each.

b. Department Expense. Accumulation of overhead costs by department should be used for factories with substantial differences in the dollar amount of overhead expense required for product lines.

For example, a metal factory has two departments. One department produces machined products and other produces products that only require assembly of purchased raw materials. The machined products require a tool and die support activity, close civilian supervision, expensive machinery with associated high maintenance costs, and substantial and costly factory supplies. Assembly activity, on the other hand, requires substantial low graded inmate direct labor with minimal civilian supervision, minimal use of machinery and factory supplies.

To allocate overhead costs to these dissimilar products at a common rate substantially distorts product costs, and does not provide an acceptable basis for management decision making. Department of product overhead pools with direct or formula allocation of expenditures can assure equity in overhead charges by product.

In the above example, overhead expenses would be accumulated separately for each department or product line--one for machined products, and one for assembly department products. Machined products and assembly porducts sub-accounts for indirect labor, civilian salaries

and benefits indirect inmate labor; utilities; depreciation of machinery and equipment, and buildings and improvements; and machine repair would normally serve minimum needs. Other overhead costs would be prorated to the departments on a systematically designed allocation basis such as those used for allocating office expenses among factories. Department annualized overhead rates would be esablished in the same maaner as for factories, and those rates applied to departmental products.

c. General and Administrative Expenses. Factory general and administrative expenses are those not directly related to a single factory. Examples are expenss related to the Business Office/Warehouse, and Quality Assurance. None of these costs shall be charged as direct during the month. All costs including civilian salaries and inmate salaries shall be accumulated in one factory's general control account, and proportionately distributed at month-end to applicable factories or departments based on approved distribution formulas through sub-accout 38 (Clearing Account). (See paragraph 605.) If distributions are based on different rates for each category of expense, it will be necessary to maintain each of these costs separately, i.e. business office, quality assurance, etc.

The Business Manager should discuss the benefits of accumulating these costs by category with the Superintendent of Industries and individual Factory Managers. If required, the Business Manager shall maintain the costs by these categories for each factory for their review and analysis.

605. DISTRIBUTION OF MANUFACTURING GENERAL EXPENSE

1. Definition. General expenses are those manufacturing overhead expenses not readily identifiable with a particular factory of department.

2. Annual Distribution Formula. An equitable distribution formula or overhead rate shall be determined annually for each factory and/or remote accounting station (See Paragraph 606.) Distribution formulas for remote accounting station should take the additional travel requirements of such operations into consideration.

a. Approval Requirements. The distribution formula shall be submitted to each appropriate Product Division and to the Resources Division each year by August 15, with a brief covering memorandum indicating the rationale used to insure equitable distribution of costs among the factories. Special or unusual circumstances governing the proration of distributable expenses shall be explained in the covering memorandum. The Division Managers shall approve the submission or forward a revised distribution formula to the location within thirty days of submission. Unresolved differences shall be submitted to the Controller for review and decision.

Selection of a reasonable distribution formula requires considerable thought and analysis. These distribution formula must be reviewed throughout the fiscal year to assure equity.

b. Criteria for Prorating General Expense. The following criteria shall be utilized as general guidelines to determine the proration of the general costs for distribution among the various factories, departments and Vocational Training operations:

(1) Superintendent Salary/Related Benefits--time spent for each factory;

(2) Administrative Salaries/Related Benefits--base on paper transactions processed by the Business Office;

(3) Quality Assurance--services rendered to each factory;

(4) Engineering and Maintenance--repairs and maintenance work orders;

(5) Counseling and Placement--number of inmates assigned per factory;

(6) Warehousing--total weight factor on incoming and outgoing shipment of each factory and/or average dollar value of Material and Supplies and Finished Goods;

(7) Telephone FTS--by actual or instrument basis;

(8) B & I (Buildings and Improvements)--actual square footage occupancy;

(9) Electricity--meter or KWH usage estimate;

(10) Steam--meter or space occupancy and the high pressure based on equipment demand;

(11) Water for production purposes--meter; and

(12) All other incidentals--handled on an individual basis.

Where seperate meters are not feasible, the feasible, the Superintendent shall arrange for the Bureau of Prisons Facilities Administrator

to make a survey to ascertain heat and power requirements for each factory within the industrial complex. Reimbursement for this service is authorized.

3. Apportioning to Vocational Training. Vocational Training (VT) administrative (business office/warehouse) and utility expenses shall be estimated prior to the start of each fiscal year in accordance with the criteria outline in par. 605.2(b) and charged to the VT account if the cost is sufficient to justify recovery. Administrative expense shall be limited to the amount published in the annual operations memorandum on vocational training. The Superintendent of Industries and Education shall review and approve annual estimates.

Estimated administrative and utility charges shall be allocated equally each month through the fiscal year. Example: Estimated annual administrative charges of $2,400 shall be charged to VT at the rate of $200 per month.

4. Journal Entries. Expenses in general or control accounts shall be cleared at the end of each month and distributed to each factory through the use of sub-account 57.38, Manufaturing Expense-Special. It is important that all factories receiving the expense also pick it up through the same account. This prevents duplication of reported costs for planning and budgetary purposes.

All items reported as expense in sub-account 57.38 will be summarized on the back of the FPI Form 4, Summary of Expense. It is sufficient to list on total figure for General and Administrative Expenses unless a more detailed breakdown is requested by the Siperintendent of Industires, Factory Manager, or Product Line Division Manager.

606. PREDETERMINED ANNUAL OVERHEAD APPLICATION RATE

1. Definition. A definition of manufacturing overhead application rate is the ratio of the toal projected production overhead expenses for a factory or a department to the projected volume of acitivity. The specific elements involved are:

- Predetermined overhead costs for the coming fiscal year.

- Projected direct labor cost for the coming fiscal year. (Other activity levels may be used with the approval of Product and Resources Division Managers.)

Although direct labor cost will be the most commonly used application base in UNICOR, others are acceptable and the following

discussion provides general guidance for selction.

2. Responsibilities. Determination of the annual overhead application rate is the responsibility of the location Business Manager.

Factory Managers and location Superintendents are responsible for providing input as to their accountability for various expenses, the level of production activity that is planned for the coming year, and the representative base to be used for applying predetermined rates. Factory Managers and location Superintendents are responsible for review and acceptance of the predetermined allocation base.

In some instances, Product Division management may assume the responsibility for developing the predetermined annual overhead application rate.

3. Approval. All rates are subject to Product Division management approval. See paragraphs 609 and 605.2

4. Revision During Year. Factory personnel, who determine a need for revision of these predetermined annual overhead rates during the year, may request such change by submitting a document that explains the need for such, together with data that will support the proposed new rate. Interim proposals may not be implemented until formal approval is provided by Product Division management.

5. Using Actual Overhead. The use of actual overhead in lieu of a predetermined rate may be authorized in some cases. For example, a factory that is working on one contract, for one customer, for long periods of time would be better served using actual overhead. Requests to use actual overhead shall be submitted by a well supported document that explains the need. Interim proposals will not be implemented until formal approval is provided by Product Division and Resources Division management.

607. MANUFACTURING OVERHEAD BASE

1. Selecting an Overhead Base. The primary objective in selecting a base is to determine the most representative element in the manufacturing process that can be related to overhead cost. For example, if factory overheads is predominately supervision (as in UNICOR), the proper base is direct labor cost or direct labor hours.

A secondary objective in selecting a base is to minimize clerical cost and effort. When two or more bases provide approximately the same applied overhead cost, the easiest to apply method should be used.

The following bases have frequent use in applying factory overhead cost: (1) units of production, (2) material costs, (3) direct labor cost, (4) direct labor hours, and (5) machine hours.

2. Selecting Base Activity Level. Base activity levels are related to expected volume of activity. Three capacity (plant activity) levels are in common use: (1) Full, (2) Normal, and (3) Expected. Full capacity level assumes all facilities will be used to the maximum extent possible. Normal capacity is based upon what usually takes place and relies to a great extent on prior years experience. Expected capacity is based on a forecast of what will happen in the coming year. Significantly different annualized rates would result from using different capacity levels.

The greater the level of activity (or capacity) used, the lesser will be the impact of fixed overhead expenses per production unit. Increasing levels of activity allow fixed expenses to be distributed over a greater volume of products/services.

Variable overhead expenses are not as significant a factor in capacity level selection as they tend to increase in proportion to increases in activity. The effect of semivariable expenses is greater then variable expenses, but not nearly as great as fixed overhead expense. Since UNICOR factories have substantial amounts of fixed expenses, the selection of capacity (activity) level is of great significance. If full capacity is considered to be a reasonable base, the resultant overhead rate will be low and projected product costs will be reduced. If expected capacity is projected to be at a low level, the resultant overhead rate will be higher and projected product costs will be higher.

Superintendents must recognize that performance deviations from selected capacity levels can ultimately affect reported profits. For example, if full capacity was selected as the activity level but actual operations were substantially less than full capacity, a considerable portion of overhead expenses would not be absorbed. In all probability, significant losses would result unless product selling prices far exceeded production costs. If expected capacity was selected at a level substantially below full capacity but production activity significantly exceeded expectations, factory profits would be substantial assuming that selling prices were based upon projected costs.

3. Predetermined Overhead Cost Elements. The final component of the overhead rate equation is the amount of overhead cost to be allocated to jobs. Well devised Account 57, Manufacturing Expense, estimates jointly developed by the Business Manager, Factory Manager, and the Superintendent should provide the necessary input for this component. The more sophisticated the estimating process, the greater the chance for accuracy in developing the overhead rate. An aid in making these estimates is historical costs from the FPI Form 4, Summary of

Expense. Care should be taken to exclude nonrecurring costs (see Part 11.) The best information available concerning future production activity and probable market price increases for supplies, repairs, utilities, etc., will need to be considered. Increases in civilian salaries and planned increases or decreases in civilian staff and inmate indirect labor also need to be considered.

Overhead costs that do not have a direct relationship to production should be excluded for overhead rate determination purposes. For example, product research or experimentation may be planned that had no relationship to current products. To include these costs in developing an overhead rate could not be justified. Care must be taken, however, to assure that excluded costs retain their visibility as deferred charges for further write-off or as Other Expense, Account 63, so that management gives them adequate consideration in the overall planning process (pricing, product line decision, etc.).

608. CALCULATING FACTORY OVERHEAD RATE

The factory overhead rate is determined as illustrated below. The level of activity is divided into projected overhead costs to provide the annualized overhead rate.

<u>Projected Overhead Expenses</u>
Estimated Direct Labor Cost = Factory Overhead Rate

For example; direct labor costs at full capacity of $123,000 for the year, with overhead costs at full capacity of $900,000, would result in an overhead rate of 750%. Direct labor costs for this same factory at expected capacity $80,000 for the year, and overhead costs of $800,000 at expected capacity, would result in an overhead rate of 1,000%. In both of these examples, fixed expenses were estimated at $500,000. Semivariable expenses at full capacity were selected at $125,000, and variable expenses at $275,000. Semivariable expenses at expected capacity were estimated at $115,000, and variable expenses at $185,000.

The importance of selecting an appropriate base activity level and reasonable determination of projected overhead cost cannot be over emphasized.

609. APPROVAL OF OVERHEAD APPLICATION RATE

Product Division Manager approval is required prior to implementing computed overhead rates. Factory, Business Office, and Product.

Division personnel provide the information needs of the Superintendent. When submitting the calculted overhead rate for division approval, the Superintendent must supply sufficient documentation to facilitate an understanding as to how the rate was determined. Resources Division personnel should supply Superintendents and Product Division Management information needs on an as requested basis. See paragraph 605.2a regarding the annual distribution formula.

610. APPLICATION OF OVERHEAD RATES

When direct labor costs or hours is the selected overhead distribution base, factory overhead is applied to jobs based upon the direct labor entries to jobs as recorded on FPI Form 9, Production Order and Cost Sheet (see paragraph 306). Predetermined overhead rates are applied to FPI Form 9 entries for direct labor costs or annotated hours. For example, $200 direct labor charge to a job for the month with a 750% overhead application rate would result in the application of $1,500 in overhead expenses to the job. Total applied overhead expenses for each job are carried forward to FPI Form 51, Summary of Work in Process (see Exhibit 11-B, Part 11).

The resultant monthly total of applied overhead to jobs on the FPI Form 51 provides the basis for a journal entry to Work in Process Inventory (Journal Entry 17, Section 8502). The following example is based on the data in Exhibit 11-B.

		Debit	Credit
Work in Process Inventory	18.3	$8,160	
Overhead Expense Applied	58		$8,160

The actual factory overhead expenses for the month are accumulated in various sub-accounts (.1 to .40) to Account 57, Manufacturing Expense; Account 61, Quality Assurance Expense; Account 62 Warehouse Expense; and Account 63, Business Office Expense. (See Chart of Accounts, Section 8501.) These are summarized each month on the Summary of Expense, FPI Form 4 (see Exhibit 11-A). The actual factory overhead is summarized on the monthly Statement of Operations, FPI Form 3 and compared to applied overhead to identify the extent to which production for the month absorbed the amount of actual overhead expense incurred.

611. OVER/UNDER-APPLIED OVERHEAD

1. General. Over/under-applied overhead is not a general ledger account. The amount of over/under-applied overhead is determined from the monthly summary of overhead on the Statement of Operations, FPI Form 3.

2. Underapplied Overhead. Consistent monthly underapplied overhead, or an abnormally large balance in one month, may be the result of one or a combination of the following:

(1) Reduced demand for products resulting in curtailment of production activity. As a result, insufficient production activity to absorb the ongoing overhead expenses.

(2) Production inefficiencies that were not contemplated when overhead expense allocation rates were established. For example:

(a) Foremen not obtaining an inmate work effort consistent with the production plan.

(b) Abnormally large amounts of rejected products with associated rework that is not charged to the job.

(c) Substantial changes in the inmate work force resulting in numerous untrained workers being used, rather than a planned experienced work force.

(d) Downtime due to inmate strikes, fog days, or other call outs.

(3) Changes in product design that slows the planned production work effort.

(4) Poorly conceived overhead expense allocation rates.

(5) Excessive overhead expenditures as compared to expectations such as costly machine repairs, and utility charge increases beyond expectations.

(6) Inaccuracies in recording costs related to the allocation base; e.g., inmate direct labor charged as inmate indirect labor.

(7) Inaccuracies in applying allocation rates to production jobs.

3. Overapplied Overhead. Consistent overapplied overhead or an abnormally large balance in one month may be the result of one or combination of the following:

(1) Full production when less thaan full production was contemplated in the planning stages.

(2) Production efficiencies that were not contemplated when overhead rates were established. For example:

(a) Foremen getting the most from inmate employees.

(b) Availability of better training inmates than expected.

(c) Less downtime than normal for the production period.

(d) Changes in product design that increased production efficiencies beyond expectations.

(3) Poorly conceived overhead expense allocation rates.

(4) Expenditure control that exceeded expectations.

(5) Inaccuracies in recording costs related to the allocation base; e.g., inmate indirect labor charged as inmate direct labor.

4. Management Action. As previously noted, significant over/under-applied overhead provide a signal that the production effort is not proceeding as planned. Some deviations may have been unavoidable. Nevertheless, factory management should, at least, determine the cause(s) and take corrective action as necessary. Such actions could include improving production efficiencies, revising standard overhead allocation rates, improving controls related to overhead expenditures, eliminating documentation errors, or discontinuing product lines that cannot be processed with an acceptable degree of efficiency.

612. MANUFACTURING VARIATION - EXCESS COSTS

It is UNICOR policy to enter our products into Finished Goods Inventory at no more than 95, of the expected selling price to prevent overstatement of corporate inventory values. Ninety-five percent of the expected selling price is used because there are indirect costs associated with sales that are not included in the costs of productionat

the factory level. These costs are estimated to be approximately 5% of sales, and inventory is therefore valued to make allowance for these expected future costs. These additional costs include local nonproduction related expenses, Product Division administrative and marketing expenses, and Corporate Headquarters administrative expenses.

If abnormal material, labor, overhead, and spoilage/rework variances are recorded properly, there should be little need for this account. It is possible, however, that a price reduction or classification of products as seconds will result in a need to write-off excess costs. Costs in excess of 95% selling price shall be debited to Accound 60.2, Inventory Valuation-Write-Off, and credited to Account 15, Finished Goods, through JE-21d. For example, a product costing $120 which sells for $100 would overstate assets by $25 if allowed to be put into Finished Goods Inventory at cost.

613. ORGANIZATIONAL EXPENSE

Organizational costs for starting up new factory operations include costs such as:

- Salaries of civilian and inmate staffs used to establish systems, monitor receipt of equipment/supplies, etc.

- Installation costs for equipment.

- Initial purchase of small equipment, tools, office equipment/supplies.

These costs may be accumulated in Account 40.1, Deferred and Prepaid Expense Control-Start-Up Costs, with the approval and the Resources Division and amortized through Account 57.22 Manufacturing Expense Control - Amortization.

Organization expenses of less than $15,000 shall be amortized over a period of two (2) years. Organization expenses of $15,000 or more should be amortized over a period of five (5) years. In determining the period of amortization, the Business Manager should review excess expenses that may reasonably be expected to be charged against Account 40 in the future. If the total of expenses to date and those estimated for the future exceed $15,000 then the five (5) year life should be used. (The major item to consider is additional relocation expenses not yet settled.)

Monthly amortization of the account shall begin on the first day of the month in which production begins. No additional items should normally be added to the Account 40 once production is underway. However, there are some situations where additions are possible, for example, additional relocation expenses or machinery operating training is required. If the efforts to have all expenses recorded prior to the start of amortization do not succeed, the monthly amortization expense will be adjusted - not the period of amortization. In no case shall the original 24 or 60 month period be modified. Thus, each addition in organization expense will increase the monthly amortization expense.

EXAMPLE. Organization expense of $18,000 is to be written off at the rate of $300 per month starting 12/1/80. In November 1981, an additional $1,200 is determined to be part of the original organization expense and is debited to Account 40. The total organization expense is now $19,200. This shall still be expensed by 11/30/81 and the monthly amortization expense is increased to $325, charge-off the $1,200 over the remaining 48 months or an additional $25 a month.

PART 7

MANUFACTURING COST SYSTEMS, GENERAL

700. TYPES

Job order and process costing are the two principal approaches to cost accounting used by FPI factories.

Job order costing is used in those situations where it is necessary of desirable to identify costs related to a specific amount of production. The quantity of production could be a single unit, sales order, batch, or any other accumulation.

Process costing is used when products are manufactured in a relatively continuous operation for a specified period of time.

Standard costing is a system used in part by FPI factories. It allows comparison of actual costs to established standards as baselines to generate data for management use in controlling operations.

These systems are discussed in Parts 8 and 9, and paragraph 110 of this Manual.

701. AUTHORITY TO SELECT SYSTEM

The Superintendent of Industries, with the approval of the Product Line Division Managers and Resources Division Manager shall determine the most efficient cost system to be implemented based on information outlined in paragraph 112, and Parts 7, 8, 9, and 10.

702. PRODUCTION RUNS

To enhance our techniques of accumulating reliable cost data and enable production supervisors to control the physical flow of goods, a production run should be scheduled in a manner not exceed 120 calendar days. Jobs or processes, with anticipated longer production runs, should be divided into controllable quantities or lots that can be completed within 120 days. The Product Line Division Manager shall be notified of all deviations from this procedure.

703. INVENTORY VALUATION WRITE-OFFS

It is UNICOR policy to enter our products into Finished Goods Inventory at no more than 95% of the expected selling price to prevent overstatement of corporate inventory values. Ninety-five percent of the

expected selling price is used because there are indirect costs associated with sales that are not included in the costs of production

at the factory level. These costs are estimated to be approximately 5% of sales, and inventory is therefore valued to make allowance for these expected futute costs. These additional costs include loccal non-production related expenses, Production Division administrative and marketing expenses, Support Division administrative expenses, and Corportate Headquarters administrative expenses.

If abnormal material, labor, overhead, and spoilage/rework variances are recorded properly, there should be little need for this transaction. It is possible, however, that a price reduction or classification of products as seconds will result in a need to write-off excess costs. Costs in excess of 95% selling price shall be debited to Account 56.4, Inventory Valuatioon Write-offs, and credited to Account 15, Finished Goods, through JE-21d. For example, a product costing $120 which sells for $100 would overstate assets by $25 if allowed to be put into Finished Goods Inventory at cost.

704. JOB FOLDERS

Job order folders will be established and maintained in accordance with paragraph 202.

PART 8

JOB ORDER COST SYSTEM

800. DEFINITION

A job order cost accounting system is one whereby all costs of a job or contract move through the production process as a continiuously identifiable unit. Costs are separately accumulated and compiled in analytical form. Material costs and work performed vary from job to job.

801. BASIC PRINCIPLES

The principles explained in the remainder of this paragraph are basic to a job order costs system.

Job costs systems are used in those factories in which work is initiated by issuance of a job order, which corresponds to a customer's order or a manufacturing order for stock, by the Product Division Manager.

A Request for Special Authorization is required to produce for stock. See Chapter 8500, Section 8509, Inventory, in the Accounting Manual.

The job order system should be implemented when the manufacturing entails a variety of assembled products and the end products are uniform. In such cases, a job-lot or job-batch will be established.

Costs of material, labor, and manufacturing overhead are posted to a cost sheet in analytical form to facilitate acumulating totals by costs elements, and to support the General Ledger Balance Work in Process Inventory.

Normally, direct labor cost is the basis for allocating or applying overhead costs to each job.

Each job will be charged with material, labor, and overhead until completed. (See Exhibit 8-A).

Exhibit 8-A

802. GUIDELINES

1. Authorizing Production. All production in the factory shall be authorized by an approved Production Order and Cost Sheet, FPI Form 9 (see paragraph 306). Cost sheets should serve as a management tool to evaluate each job. This form will be initiated by the factory Manager from information derived from the customer orders or special authorizations. Number assigned to a given job may be merely the next unassigned number in a series of consecutive numbers, or it may be an elaborate number to reveal additional about the job. A Material Control List, FPI Form 48 (see paragraph 305), shall be required for manufacturing, purchasing, and costing each product. A copy of the Material Control List shall support all material charges to the FPI Form 9. Also, see subparagraph 802.2 regarding requisitions.

See Exhibit 8-A for a flow chart of accounting transactions used in a job order cost system. Part 3 contains instructions for preparing and using the various production costs documents.

2. Direct Materials. Requisitions or voucher adjustments are the basic media to support material charges on each respective FPI Form 9. Factory Managers will approve all requisitions in accordance with the guidelines of this Manual. Generally, total materials required for a job should not be totally requisitioned at one time unless the job will be completed during the same month.

When a job is completed, the Material Control List and FPI Form 9 will be reviewed for any unusual postings or excessive variations. The Factory Manager or his representative shall explain or justify all unusual charges or abnormal deviations before closing the job.

3. Direct Labor. All inmate labor costs which can be economically identified and traced to the manufacture of a product shall be charged to the job. Daily time tickets, or other acceptable time records, shall be the posting media for direct labor costs charged to each job. The Factory Manager or his representative shall examine and initial all daily timekeeping documents before submitting them to the Business Office.

The Business Office shall post direct labor to jobs through use of the Monthly Labor Summary, FPI Form 19. These amounts shall be summarized and posted to the Production Order and Cost Sheet, FPI Form 9, monthly or upon completon of the job.

In some situations, it would be better to charge direct labor on a predetermined or standard basis to overcome unwieldy accounting details. Predetermined or standard labor charges shall be justified, evaluated, and approved by the Product and Resources Division Managers prior to use. Standards used shall be based upon labor estimate/time studies established on Schedule of Labor Rated, FPI Form 58 for each product.

Variances from estimates in excess of ± 10% shall be evaluated to determine cause. Consistent significant variances shall be cause to initiate review of labor standards for products and/or accumulation of labor by job/process to determine reasons for variances. In any event, they should be reviewed at least semiannually to insure realistic cost data.

4. Manufacturing Overhead. Manufacturing overhead is applied to work in process by actual costs or predetermined standard rates. At the close of each month or at the completion of each job, overhead is applied through the use of the current overhead rate. Part 6 contains detailed instructions for calculating overhead rates and distributing manufacturing overhead expenses.

5. Job Completion. The Factory Manager shall develop an internal procedure for advising the Business Manager of job completions. This can be accomplished through inter-office memo, notation on finished goods tickets, etc. The system developed should insure that notification is made within 24 hours of completion to expedite shipment, accounting, analysis of the job. A system which incorporates notification to the Business Manager several days prior to the job completion would result in more effective scheduling of shipping and more efficient use and planning of warehouse space.

PART 9

PROCESS COST SYSTEM

900. DEFINITION

A process is a step in manufacturing a product, and a process cost system is one in which costs are assembled in terms of processes or manufacturing steps.

901. BASIC PRINCIPLES

The emphasis in process costing is a period of time and the number of units completed during that period of time. Additionally, products may be manufactured for stock rather than for specific orders. Unlike job order costing, where costs are recorded separately for each job, the emphasis in process costing is on the accumulation of costs for all untis worked on in a department during a given period of time. The processed units in a department are typically homogeneous in nature. Average unit costs are determined and provide the basis for transferring costs from one processing center to the next.

The process cost system should be implemented under some of the following conditions:

- Continuous or mass production where individual items or lots lose their identity.

- Production of a single product.

- Departmentalize factories where the product of one process becomes the raw material of subsequent processes.

Because the output consists of like units, the same amounts of materials, labor, and overhead are chargeable to each unit processed.Therefore, the average cost of a unit can be readily determined at the end of each manufacturing process by dividing the total costs of each process by the total units produced. The stage of completion is usually estimated for products remaining in work in process. See Exhibits 9-A and 9-B for flow charts of process costsystems.

When establishing a process cost system, it is essential that there be a clear understanding of the term, department. Department shall mean a production area in which a piece or pieces of material are flowing from one work station to another without a break in the normal or

Exhibit 9-A

PROCESS SYSTEM COST FLOW

Exhibit 9-B

continuous processing of that material. An example of a single department would be a mail bag operation where canvas is cut, sewn at several stations, grommets added, and ties threaded. Another would be a broom operation where the handles and straw might go through six or seven work stations during production.

An example of a factory with two departments would be a mail basket factory. Reinforcing rods are cut and bent in one department and transferred, when required, to another department for welding and assembly with the frames and canvas inserts. In this case, there is not a continuous flow and the products (rods) are transferred between the departments as needed and not as a normal or continuous flow of operations.

902. CHARGING COSTS TO DEPARTMENTS

Since there are no jobs in a process cost system, accounting for production costs is simplified. Raw material costs can be obtained from summaries of requisitions by departments, and direct labor costs from summaries of payroll costs by departments. Aas such, each department should have standards or estimates established for the material, labor, and overhead costs of its phase of the process. This shall be accomplished through use of a separate Unit Cost Estimate, FPI Form 73, for each department and a summary Unit Estimate for the entire process. This is necessary to provide the standards by which costing, inventory, and analysis of the process can be accomplished.

Overhead costs can be charged to departments on a direct basis or can be allocated to departments through the use of departmental standard overhead rates applied to either direct labor costs or other meaningful allocation base; i.e., direct labor hours, machine hours, etc. As a minimum, major overhead cost items that can be readily identified with a department should be charged on a direct basis; e.g., foremen civilian salaries, major equipment depreciation, and indirect inmate labor. Any direct charge of overhead items will eliminate those items from overhead expenses that will be allocated on the basis of standard rates.

A Monthly Process Cost Summary Sheet, FPI Form 59, is prepared for each department or process. (See Exhibits 9-C and 9-D.) The Process Cost Summary Sheet identifies the costs charged to a department during the production period, the equivalent units produced, and the costs applicable to each unit produced. Summarized departmental costs facilitate cost analysis required in Part 2. The example illustrated in Exhibits 9-C and 9-D is based on a production methodology with raw materials and direct labor entering the production cycle in different proportions during the production run. The same format would be used,

Exhibit 9-C
Monthly Process Cost Summary Sheet
FPI Form 59 (Department 1)

Exhibit 9-D
Monthly Process Cost Summary Sheet
FPI Form 59 (Department 2)

however, when raw materials and direct labor enter the production cycle in equal portions throughout the production process. Subparagraph 908.3 provides instructions for preparing the Monthly Process Cost Sheet.

903. EQUIVALENT UNIT COSTS

A basic objective of a process cost accounting system is the determination of unit processing costs for material, labor, and overhead in each processing department. When a department begins and ends a cost period with partially units of products, the units completed in the department are not an accurate measure of the department's production. Production must be measured in terms of equivalent finished units and unit costs become equivalent finished unit costs. (See Exhibits 9-C and 9-D.) The concept of an equivalent finished unit is based on the asumption that it takes the same amount of labor, for instance, to finish one third of three units as it takes to finish one unit. See subparagraph 908.3 F.

904. WORK IN PROCESS INVENTORIES

The key to effective implementation of the process cost system is valid and accurate data on raw materials, direct labor, applied overhead expenses, and work in process (WIP) inventories. With meaningful data supplied, deficiencies in cost accumulations or inefficiencies in production can be disclosed.

Reasonable estimates of WIP inventories are acceptable for short periods of time, but a physical inventory must be taken at least three times each fiscal year, to assure data reliability.

In order to accurately report operating income or loss, journal entries are required, each month, to adjust the WIP inventory balances in the accounting records to estimated or physical inventory balances. It is not necessary to adjust for minor deviations between WIP inventories as recorded in the accounting records and WIP inventory estimates. The accounting records should be adjusted, however, for all deviations from physical inventories.

905. DIRECT MATERIAL

Direct material required for production shall be ordered through use of the Storeroom Requisition, FPI Form 49. (See paragraph 307.) The Factory Manager shall develop procedures to insure the control of material flow by department. Locally developed count tickets shall be used for the transfer of materials from one department to another. Copies of these shall be forwarded to the Business Office daily. The

Business Office shall use these in conjunction with Storeroom Requisitions, Unit Costs Estimates, and Factory Manager estimates of percentage of work completed to determine cost of units produced and ending balance in Work-In-Process. The methods for accomplishing this are outlined in the instructions for the Monthly Proces Cost Summary Sheet, FPI Form 59, of this part.

906. DIRECT LABOR

Each department supervisor shall sign and submit a daily time and production sheet for work performed by each inmate in his department. The accounting clerk shall compute and record total hours worked and related total dollar costs on a daily or weekly basis, or at the end of the month, by each process department. Direct Labor remaining in process shall represent the total Direct Labor costs of uncompleted units and shall be reconciled with each physical work in process inventory.

907. MANUFACTURING OVERHEAD

Manufacturing overhead expenses may be charged direct to each department as incurred where feasible or charged at month end on the basis of predetermined rates. Separate overhead accounts and Summary of Expenses, FPI Form 4, shall be maintained for each department. Predetermined rates may be devised for a number of overhead pools or for all overhead expenses of a factory. Various combinations may be used such as civilian salaries charged direct, cost of a maintenance pool on a predetermined rate, and the balance of overhead expenses on another predetermined rate. The rate for the maintenance pool could be simple, such as 20 percent of all maintenance pool expenses for each period charged to a department.

Usually, general type overhead expenses are allocated on a more complex basis; i.e., total general expenses estimated for the year along with an estimate for an allocation base, such as direct labor cost or hours. The estimate for the allocation basis is divided into the estimated overhead expenses to arrive at a standard rate. The standard rate is applied to actual base costs for the department for each period to arrive at the overhead expenses applicable to a department for the period. (See Part 6, Accumulation and Control of Overhead Costs.)

908. MONTHLY PROCESS COST SUMMARY SHEET, FPI FORM 59

1. Monthly. Aat the close of each month, each type of time is summarized on a master cost sheet (FPI Form 59, Exhibits 9-Cland 9-D), indicating total accumulated costs for material, labor, and applicable overhead for that month. These cost data shall be further summarized in

analytical form on FPI Form 51, Summary of Work in Process (Part 11), with charges for completed products transferred to Finish Goods.

2. Completion of a Lot or Batch. Upon completion of a lot or batch, actual material and labor costs shall be analyzed in comparison with estimated costs.

3. Preparation. The Monthly Process Cost Summary Sheet, FPI Form 59, is prepared monthly by the Business Office for each processing department. Instructions for completing the form are listed below, keyed, by Block letters, to the corresponding spaces on Exhibits 9-C and 9-D. In those two exhibits, two sample forms illustrate recording the flow of costs for goods transferred from one processing department to another.

Block	Explanation
A. Month Ended.	Enter month, last day, and year for the month to which the Summary Sheet applies.
B. Location.	Name of the Institution where located.
C. Industry.	Type of Industry.
D. Department.	Name of processing department concerned.
E. Costs Charged to the Department.	Total costs to be accounted for are the total of the material, labor, and overhead charges for the month, plus costs transfered from other departments during that month and goods in process in the department at the beginning of the month.
F. Equivalent Unit Processing Costs.	This section is used to determine the equivalent unit processing cost for each of the elements of production for the month. To accomplish this, it is necessary to know the number of units in process at the beginning of the month, units stared and completed during the month, and the number of units in process at the end of the month. These units may be in various stages of completion. If so, the fraction of a unit

added during the month must be determined. For example, if beginning inventories were 1/4 completed that month. If ending

Block	Explanation
	inventory is 1/3 complete, and there was no beginning inventory, then, 1/3 was added during the month. This information is preferably based on physical inventory; however, meaningful estimates of work in process inventory by the Factory Manager may be used. Making estimates is not a simple process. The Factory Manager should develop systematic procedures or guide lines for estimating the percentage of completion of materials and labor in process. He/she can use department Unit Cost Estimates (FPI Form 73), Material Control Lists (FPI Form 48), and Monthly Labor Summary (FPI Form 19). These equivalent units are, then, divided into costs added for the month to each of the elements (see Block E), to determine the equivalent unit processing cost.
G. Goods in WIP, beginning of month.	This section summarizes the total process costs of goods in process at the beginning of the month, using beginning costs plus costs added. This is determined by using equivalent units added times the equivalent unit processing costs.
H. Goods started and finished.	This section summarizes the total process cost of goods started and completed during the month, using units processed times the equivalent unit processing cost for the month, plus costs of goods transferred from otherdepartments.
I. Total cost of goods transferred to finished	This is the total of Blocks G and H, and represents the total accumulated costs of goods transferred to the next department or to Finished Goods.

goods.

J. Goods in WIP, end of month. This section summarizes the total process costs of goods in process at the end of the month, using the equivalent units processed times the equivalent unit processing cost, plus the cost of goods transferred from other departments.

Block	Explanation
K. Total costs represents accounted for.	This is the total of Blocks I and J, and total costs to be accounted for during the month. It must be equal to total costs determined in Block E.
L. Analysis of processing Department Comments Acitvity	This section compares equivalent unit costs for the month to cost estimates. shall be made providing the reasons for significant variances and, if appropriate, the corrective action to be taken. If more space is needed, use of the back of the Form or attach an additional sheet.

PART 10

STANDARD COST SYSTEM

Part 10 has been merged into paragraph 110. See that paragraph.

PART 11

COST REPORTING

1100. REQUIREMENTS, GENERAL

Cost accounting reorts are, generally, for internal use to present the financial results of production/service activities. They are designed to help managers guide, measure, and judge--in financial terms--the operations under their supervision.

The forms discussed so far in this Manual are used, primarily, at the factory level. The forms that are discussed in this Part are reports to be submitted monthly to the Product and Resources Divisions in accordance with Chapter 8500, Section 8540, of the Accounting Manual for anlysis, review, and comparison of operations. They are the:

- Summary of Expense, FPI Form 4. Summary of expenses for various accounts such as manufacturing overhead, service departments, vocational training, etc. (Exhibit 11-A)

- Summary of Work in Process, FPI Form 51. Analysis of activity and changes in WIP inventory. (Exhibit 11-B)

- Monthly Completed Job Order Report, FPI Form 10. Summary and analysis of completed jobs for the month. (Exhibit 11-C)

1101. RESPONSIBILITIES

1. Superintendent of Industries. The Superintendent of Industries is responsible for reviewing and evaluating the accuracy and adequacy of the reports and insuring timely submissions.

2. Resources Division. Resources Division personnel shall review the forms, monthly, to insure proper format and consistency with other monthly reports; e.g., FPI Form 2, Comparative Balance Sheet-Condensed Statement of Operations.

3. Product Division. The Product Division is responsible for monthly review of the forms for reasonableness of entries, and analysis/measurement of effectiveness of factory operations.

1102. SUMMARY OF EXPENSE, FPI FORM 4

1. Purpose. The Summary of Expense, FPI Form 4, is a multipurpose form which provides management with information concerning the distribution/classification of expenses for Manufacturing (Account 57), Quality Assurance (Account 61), Warehouse (Account 62), Business Office (Account 63), Selling (Account 64), Other (Account 65), Pre-industrial (Account 66), Support Division (Account 71), Product Division (Account 72), Corporate Administrative (Account 73), Vocational Training (Account 75), and Vocational Training Experiments (Account 76). The form may also be used to report manufacturing department expenses.

The form identifies the specific nature or types of expense and allow comparison and analysis of current expense to prior year charge for the same period.

A sample FPI Form 4 is illustrated in Exhibit 11-A.

2. Responsibilities. The Business Managers have a responsibility to ensure the accuracy of information reported. Accountants are responsible for the preparation of these reports. Factory Managers and Superintendents have a responsibility to review and analyze the assembled data for consistency with planning documents and determine reasons for abnormalities (excessively high or low expenditures for the accounting period).

3. Frequency. The original of the form will be submitted to Central Office (Resources Division) and a copy to the Product Division concerned by the 12th calendar day of the month following the one to which the report applies.

The form will be prepared monthly for Manufacturing Expense Control (57), General Corporate Administrative Expense (73), and Support Division Expense (71) and Product Division Expense (72). Quarterly reports will be made for all other operational and non-operational expense accounts.

4. Basic Principles. The FPI Form 4 is prepared from accounting data maintained by the Business Office and provides detailed information related to factory expenditures other than for raw materials and direct labor. These expenditures are a significant element in factory operations and must be controlled to assure operating efficiency. The Form 4 reports provide a management tool for review and analysis as to the effectiveness of established controls.

Comparison of reported expenditures with planning documents

can disclose inconsistencies that need to be reviewed for cause and pos-

Exhibit 11-A
Summary of Cost Expense
FPI Form 4

sible corrective action. Comparison of monthly charges may provide explanation for significant variances on the Overhead Analysis on the FPI Form 3, such as abnormalities in lost and damaged goods, machine repairs, factory supplies, or inmate indirect labor.

5. Preparation. The following instructions are guidelines for preparing Summary of Expense, FPI Form 4. The Block letter designations are keyed to corresponding spaces on the Form illustrated in Exhibit 11-A.

Block	Explanation
A. Industry.	Enter designated factory title.
B. Location.	Location of the Insitution.
C. Date.	Month and year for period of report.
D. Type.	Enter nominal account or service department being reported; i.e., Manufacturing Expense, Sales Expense, Vocational Expense, Business Office, Quality Assurance, etc.
E. Account.	Enter nominal account number that identifies type in Block D; i.e., 57, 50, 63, etc. Account 57 will have several subsidiaries that may be identified as A - Factory, B - Business Office, C - Warehouse, etc.
F. This Month Amount.	Enter total of monthly charges to applicable subsidiary account to the nominal account being reported. This total is arrived at after posting all journal entries to the General Ledger Subsidiary Expense Card for the month.
G. This Fiscal Year to Date Amount.	Enter the cumulative amount accumulated for the fiscal year from the General Ledger Subsidiary Expense Card.
H. Same Period. Last Year.	Obtain these figures from Column G of the FPI Form 4 prior year report for the month being reported.
I. Total Factory Expense This	Total of all entries.

Month.

1103. SUMMARY OF WORK-IN-PROCESS, FPI FORM 51

1. Purpose. The FPI Form 51, Summary of Work-In-Process, provides a monthly summary of jobs identifying Work-In-Process Beginning, Charges for the Month, Credits for the Month, and Work-In-Process Ending. The data furnished by this report is utilized by the:

- Product Division Office to monitor factory production.

- Business Office to summarize and reconcile monthly charges as entered on open Process Cost Summary Sheets, FPI Form 59, and Production Order and Cost Sheets, FPI Form 9, to the General Ledger balance for Work-In-Process, Account 18.

- Business Office to reflect total credits to WIP for Journal Entry preparation of debits to Finished Goods, Raw Materials, Overhead Expense, Manufacturing Variations, and the 95% adjustment for any costs in excess of selling price.

A sample Form 51 is illustrated as Exhibit 11-B.

2. Responsibilities. The Business Manager is responsible for preparing the Form 51, and the Business Manager, and the Superintendent of Industries must be assured that information reported on the form reflects accurate data.

Factory Managers have a responsibility to assure that data supplied on FPI Forms 9 and WIP ending inventory balances are reasonably accurate and reliable.

Product Division Mangers have a responsibility to review and analyze Form 51 submissions. Consideration should be given to further investigation and operational guidance for significant: (1) cost write-offs in excess of 95% of selling price (2) charges to abnormal spoilage/scrap losses, and (3) charges or credits to variance accounts.

Resources Division personnel have review and analysis responsibilites to assure that the Form 51 is properly prepared and submitted on a timely basis.

3. Basic Principles. The FPI Form 51 is a monthly summary of applied costs to production activity by job order. The form is prepared by the Business Office personnel from copies of the Factory Manager's FPI Form 9.

Exhibit B
Summary of Work-In-Process
FPI Form 51

The Form 51 is primarily an accounting document which supports Journal Entries 18. (See Chapter 8500, Section 8502, Journal Entries, in the Accounting Manual.) Journal Entry 18 transfers completed production from WIP Inventory to Finished Goods Inventory, or to Raw Materials Inventory, for component parts produced.

The dollar amount of variances is determined by comparing applied costs from the Forms 9 to actual costs shown in the accounting records.

Abnormal costs of rework/scrap resulting from inefficient production activity as reported on Defective Work/Scrap Reports, FPI Form 31, are also incorporated in Journal Entry 18a for documentation to the accounting records.

Journal Entry 21d is an adjusting entry to write-down transfers to Finished Goods Inventory to 95% of unit selling prices if those transfers exceed the 95% criteria. See paragraph 612. The data for Journal Entry 21d requires a comparison of unit valves transferred to Finished Goods with unit selling prices. Such write-downs warrant factory management review for follow-up on the reasons for the excess costs.

End of accounting period WIP inventory valuations are also shown on the Form 51, and warrant review by factory management to assure consistency with the actual WIP inventory at the close of the accounting period.

4. Preparation. Each month, a Business office employee must prepare the Form 51 from FPI Form 9 or FPI Form 59. WIP charges for the month should be reconciled with applicable General Ledger accounts, and any variances determined for adjustment of WIP inventory balances.

Charges to Finished Goods inventory must be determined and, if necessary, adjustments made to preclude unit valuations from being transferred to Finished Goods Inventory in excess of 95% of selling price.

Each month, the original of the FPI Form 51 will be submitted to the Resources Division by the 12th calendar day of the following month with one copy sent to the applicable Product Division. Sufficient additional copies will be prepared to serve the needs of the Business Office and the Factory Manager.

The following instructions, keyed to Exhibit 11-B, shall be followed when preparing the report:

Block		Explanation
Sheet No.		If more than one page is required, in the upper right corner, number the pages; e.g., if there are two pages, enter Sheet 1 of 1 on the first page, and Sheet 2 of 2 on the second page.
A.	Industry.	Factory name.
B.	Located at.	Location of the Institution.
C.	Month of.	Month and year.
D.	Job No.	Job Number.
E.	NSN or FPI Part No.	Applicable National Stock Number or UNICOR Product Part Number.
F.	Description.	Description such as desk, table, washcloth,etc.
G.	Selling Price.	Current selling price for the product. Provides a ready source to compare Finished Goods charges and WIP balances to selling price by units.
H.	Quantity Ordered.	Number of units scheduled for production from the Form 9.
I.	Quantity Completed to Date.	Enter the cumulative total of units produced through the month being reported.
J.	Balance Beginning of Month, Material	Balance of material costs in process forwarded from ending balance, previous monthly report.
K.	Balance Beginning of Month, Labor	Balance of labor costs in process forwarded from ending balance, previous monthly report.
L.	Balance Beginning of Month, Overhead	Balance of overhead cost in process forwarded from ending balance, previous monthly report.
M.	Charges for Month,	Monetary value of materials charged to the Production Order.

Material

N.	Charges for Month, Labor	Direct labor charges for the month as based on the Monthly Labor Summary, FPI Form 17, and entered on Production Orders and Cost Sheets, Form 9.
O.	Charges for Month, Overhead	Applied overhead to job for the month utilizing annual fixed overhead rate applied to the base and posted to the FPI Form 9.

Block		Explanation
P.	Acct.	Enter asset or expense account to be debited when removing goods from Work-In-Process. The normal entry will be Account15, Finished Goods; however, entries will occasionally be charged to Account 20, Raw Materials, or Account 60.2, Inventory Variation Valuation Write-Off.
Q.	Units.	Enter the number of end products removed or credited from work in process for the month based on Finished Goods receiving reports recived for the month and entered on the FPI Form 9.
R.	Credits for the Month, this Material.	Material cost transferred from WIP to applicable inventory or expense account. The unit cost for this transfer is based on the material cost as shown on the FPI Form 9.
S.	Credits for the Month, applicable Labor.	Direct Labor cost transferred from WIP to inventory or expense account. The unit cost for this transfer is usually based on the labor cost as shown on the FPI Form 9.
T.	Credits for the Month, direct Overhead.	Applied overhead charged to the job based on labor charges, for the month in Block S. Rate is based on the authorized annual fixed rate posted on the FPI Form 9.
U.	Balance End of Month between Units.	Normally, this figure will be the difference between the quantity scheduled to be produced on the job order and the quantity finished to date. Column H minus Column I.
V.	Balance End of Month, Material.	Cost of material retained in Work-in-Process after all applicable charges for the month are accomplished.
W.	Balance End of Month Labor.	Cost of direct labor retained in WIP after all applicable charges for the month are accomplished.

X. Balance End of Month, Overhead. Cost of applied overhead retained in WIP after all applicable charges for the month are accomplished.

Y. Subtotals. Enter subtotals for Blocks, J, K, L, M, N, O, R, S, T, V, W, AND X.

Z Inventory Adjustments. Enter inventory adjustments as applicable.

Block	Explanation
AA. Totals.	Enter totals for Block J, K, L, M, N, O, R, S, T, V, W and X.
BB. Totals and Beginning Balances.	Summarize Beginning Balances for Material, Labor and Overhead, Line BB, Blocks J, K and L. Enter total.
CC. Totals, Charges.	Summarize charges for month for Material, Labor and Overhead, Line BB. Blocks M, N, and O. Enter total.
DD. Totals, Credits.	Summarize charges to Work-In-Process, Line BB, Blocks R, S, and T. Enter total.
EE. Balance, End of Month	Summarize ending balances for Material, Labor and Overhead, Line BB, Blocks V, W, and X. Enter total.
FF. Finished Goods adjustment.	This block provides an example of how the 95% adjustment should be identified on this report by job. The total arrived at for an adjustment to Finished Good is the diffference between the shelling price and 95% of the selling price. A credit is made to Account 18 through Journal Entry 18. The debit account to accumulate year-to-date activity for this information is Account 56.4, Cost of Sales-Inventory Valuation Write-off.
GG. Recap.	Recap of credits to work in process by account. Total shall equal total of EE.

1104. MONTHLY COMPLETED JOB ORDER REPORT, FPI FORM 10

1. Purpose. FPI Form 10 is a monthly report which provides a listing of Production Orders completed during the month. (See Exhibit 11-C.) The report identifies cumulative costs for Material, Labor and Overhead that were charged to the Production Order and Cost Sheet, FPI Form 9, and to the Summary of Work in Process, FPI Form 51. The report provides columns to compare total manufacturing cost to the selling price and to

report the amount of profit/loss derived.

2. Responsibilities. The Business Manager is responsible for preparing and submitting the Monthly Completed Job Order Reports, based upon FPI Form 9, furnished by the Factory Manager. Following review by the location Superintendent, the original is to be mailed to the Resources Division with one copy to the applicable Product Division by the 12th calendar day of the month following the one to which the report applies.

Product Division and factory personnel are responsible for review and analysis of this report.

Exhibit 11-C
Monthly Completed Job Order Report
FPI Form 10

3. Basic Principles. This report summarizes all of the monthly data reported on each job. As a result, the overall production efficiency and profit and loss pertaining to each job are available for review and analysis. Decisions can be made as to the need for sales price increases, product lines to be featured in obtaining additional orders, and production areas that need to be improved to attain production efficiency.

4. Preparation. The following instructions are provided for preparing the Monthly Completed Job Order Report, FPI Form 10. The Block letter designations correspond to spacesd on the form illustrated in Exhibit 11-C.

Block	Explanation
Location (no letter)	In top center, below title of report, enter name of Location of Institution.
A. Month.	Enter month and year for month being reported.
B. Job Date.	Enter date that the job was started as shown on the Production Order and Cost Sheet, FPI 9.
C. Job No.	Enter the job number from the applicable FPI Form 9.
D. Number Completed.	The total number of units produced on the job.
E. Description.	Identify the item produced, such as desk, chair, wash cloth.
F. NSN-Part No.	The National Stock Number of FPI Product Part Number as applicable.
G. Cost, Material.	Cumulative direct charges to the Form 9 for the entire job.
H. Cost Labor.	Cumulative direct inmate labor charges to the Form 9 of the entire job.
I. Cost Overhead.	Cumulative applied overhead charges to the Form 9 for the entire job.
J. Cost, Total.	The total amounts entered in Columns G, H, and I

for that job.

K. Selling — Current, approved selling price fot that job. Obtain from work order.

L. Profit/Loss. — Profit or loss for the job. Represents Block K minus J. Enter a loss, if any, in parentheses as a negative amount.

SECTION 8506, UNICOR COST ACCOUNTING MANUAL, IS CONTAINED IN A SEPARATE MANUAL. SEE FPI BUSINESS MANAGER FOR DETAILS.

SECTION 8507

DISBURSEMENTS

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100. VOUCHER AND SCHEDULE OF WITHDRAWALS AND CREDITS (SF-1081)

An SF-1081 is prescribed for use as a combined voucher and schedule by agencies within the Treasury disbursing area to process expenditure withdrawals and credits between appropriations and fund and receipt accounts when checks are not to be delivered to the billing office, and they cannot be billed through OPAC.

101. PREPARATION OF A SF-1081 - GENERAL

1. The billing office must initiate an SF-1081. The billing office must identify the accounting station (Department/Bureau) to receive the credit by:

- Name,
- Agency location code (ALC),
- Mailing address,
- Appropriation, fund, or receipt symbol to be credited, and
- Amount that is to be credited.

The billing office shall then assign an invoice number to the SF-1081, retain a pending copy and forward the original and one copy of the remaining SF-1081 package to the office to be billed.
The billed office must then identify their accounting station by:

- Name (Department/Bureau),
- ALC,
- Mailing address,
- Appropriation, fund, or receipt symbol to be charged.

The amount of payment <u>must equal the amount billed</u>. A voucher number shall be assigned and the SF-1081 shall be completed and certified as appropriate. The billed office shall retain a copy and forward the original to the billing office. A copy of the SF-1081 shall be forwarded to the accountant for processing through the Accounts Payable module of SYMIX.

2. The customer agency shall report <u>both</u> the billing and receiving transactions accomplished on the SF-1081 on their monthly SF-224. No copies of the SF-1081 are required to be sent to Treasury. The SF-224 will be the document used by Treasury to transfer funds.

102. OPAC

Upon receiving an OPAC billing, the accountant shall process the transaction through the Accounts Payable module of SYMIX, generating a manual schedule and assigning it a voucher number. The certifying officer shall sign the voucher attesting that the payment was legal and proper.

If there are any discrepancies in the billing, the Business Manager shall insure that the billing agency is contacted prior to making any adjustments through GOALS.

103. CIVILIAN PAYROLL

The civilian payroll is transmitted by the Department of Justice to field sites via the Financial Management Information System (FMIS). Upon receiving the payroll from the institution Finance Office, FPI Business Office staff shall post it to the journal through the Accounts Payable module of SYMIX no later than Thursday of each pay week. If the actual civilian payroll data is not available, FPI Business Office staff shall post an estimate. When the actual data becomes available, the estimate shall be revised and the actual data posted at that time.

The civilian payroll is not reported on the Statement of Transactions (SF-224). However, the total of the biweekly payrolls received and posted for the month must balance to the monthly National Finance Center (NFC) Payroll Abstract.

104. REPORTING OF CASH TRANSACTIONS TO TREASURY

1. Each accounting officer shall maintain records of accountability (all accomplished disbursing and receipt documents and any pending documents not yet accomplished).

2. The SF-224 is a monthly report of transactions with the Treasury Disbursement Officer that is transmitted through Treasury’s GOALS system. If discrepancies are discovered after the monthly submission of the SF-224, the submitting office shall make correcting entries on the following month’s report.

Instructions for completing the SF-224 are contained in the Treasury Financial Manual.

105. RECONCILIATION OF THE SF-224 TO THE STATEMENT OF DIFFERENCES (TFS 6652)

The Business Manager shall insure that the Statement of Differences (TFS Form 6652) is reconciled monthly with the SF-224 and appropriate adjustments are made on the general ledger and the SF-224.

106. ACCOUNTING FOR VOUCHERS/DISBURSEMENTS

1. The Business Manager shall insure that all payments are processed through the SYMIX Accounts Payable module including those payments processed through Treasury disbursing centers, through OPAC, and through the Department of Justice (i.e. civilian payroll).

2. The SYMIX Accounts Payable module assigns voucher and schedule numbers when payments are processed. Therefore the Business Office is not required to maintain a manual log of voucher/schedule numbers.

3. At the beginning of each fiscal year, the Business Manager shall insure that the vouchers and schedules are controlled using a new numerical sequence containing the last digit of the new fiscal year.

4. At the end of each month, the Accountant shall insure that the general ledger Voucher Receipts account (21500) is reconciled to the A/P Aging Report and that the Vouchers in Transit account (21000) is reconciled to the In Transit Voucher Report.

5. The Business Manager shall insure that a confirmed schedule listing is extracted from GOALS at the end of the month.

The Accountant or Accounting Technician shall post the appropriate check number to the appropriate voucher in the “In-Transit” screen of the Accounts Payable module.

6. Upon receiving the confirmed schedules report from Treasury, the Accountant shall prepare a journal entry at month end recording payments by the Disbursing Officer for the month.

107. ACCRUED EXPENSES

Accrued expenses are expenses related to services or goods received in one accounting period and payable during a future period. In order to properly match expenses to the period in which the benefit is received, the Business Manager shall insure applicable expenses are accrued as necessary. If the amount is not certain, estimates shall be used.

Common examples of accruals are civilian payroll, inmate wages, or utility costs in which the charge is known with a high degree of certainty but will not be paid until the following period.

The Business Office shall accrue expenses using Journal Entry 10, charging the appropriate expense account and crediting Accrued Expenses Payable (account number 24000).

108. RECONCILIATION OF CASH TRANSACTIONS

The Financial Manager in the Financial Management Branch (FMB) shall insure that the Corporate cash balance is reconciled each month. This shall be accomplished by reconciling the net disbursements and civilian payroll charges as reported by field locations on the SF-224 and the NFC Payroll Abstract to the Treasury Monthly Report 6653 of net disbursements by location.

The Financial Manager shall report differences to field locations, the Department of Justice, or U.S. Treasury as required, for correction or reporting in the next month.

SECTION 8508

FIXED ASSETS

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PART 1

INTRODUCTION

100. INTRODUCTION

Fixed assets are those tangible assets acquired by UNICOR which benefit the Corporation over long periods of time. Fixed assets include such items as buildings, equipment, patterns and dies, tooling and construction. These assets are accounted for in separate general ledger accounts to facilitate accountability, physical control, and reporting, and provide for equitable, systematic allocation of asset costs to production jobs.

* UNICOR prescribes that items accounted for as fixed assets must have a useful life of five or more years. In addition, machinery and equipment must have a value of $5,000 or more, and buildings and improvements must have a value of $4,000 or more. A building improvement must significantly extend the useful life of the building or structure to justify capitalization of such costs.

*

PART 2

MACHINERY AND EQUIPMENT

200. ACQUISITIONS - GENERAL

The acquisition of machinery and equipment from any source shall be in accordance with current Federal Procurement Regulations. Those regulations establish a basic policy that property acquisitions be of requisite quality, obtainable within necessary time constraints and at reasonable cost, utilizing competitive procurement methods to the maximum extent practicable. Before taking procurement action, UNICOR activities will comply with applicable laws and regulations relative to obtaining property from government sources and contracts of other government agencies. Government sources include excess and surplus stocks in the hands of any government agency, Federal Supply Schedules, General Services Administration Stores Stock, Federal Supply Service Consolidated Purchase Programs, UNICOR, and National Industries for the Blind.

201. ACQUISITIONS - SPECIAL AUTHORIZATIONS

1. Special Authorizations, FPI Form 27 Request for Special Authorization (RSA), are required for the acquisition of machinery and equipment when the anticipated cost or value of a group, program or equipment project involving similar or like items or an individual item is $5,000 or more. This includes donable as well as purchased items. FPI Form 27 are required for all acquisitions of computer hardware, bookkeeping machines, and motor vehicles regardless of cost.

   ON DONABLE ITEMS, THE ORIGINAL COST IS THE AMOUNT WHICH DETERMINES IF A SPECIAL AUTHORIZATION IS REQUESTED. The special authorization shall show the original cost, however, it shall be submitted for the actual amount to be expended including transportation and installation cost. All special authorizations for donable items of greater than $5,000 shall be approved by the appropriate Division Manager. (See Section 8540 for FPI Form 27 preparation instructions.)

2. <u>Replacement/Maintenance Machinery and Equipment</u>

   a. Machinery and equipment required to replace current equipment, that does not significantly change the productivity or efficiency of an operation, is considered Replacement/Maintenance M & E, (e.g., replacing a worn out metal press).

b. Product Division and staff offices will forecast their anticipated fiscal year requirements for this equipment for the annual Corporate Planning Conference. The forecast shall be based upon the actual known requirements to the extent possible, and be coordinated with each factory in the Product Division.

Corporate Management will review all requests at the conference and approve funding for next year as appropriate. Decisions shall be based upon availability of funds, future planning for activities involved, and other considerations which may effect the benefit of such funding.

c. Product Division and staff offices will then submit an FPI Form 27, RSA, for the approved amount to the Controller, Resources Division, who issue a master special authorization granting them the authority to spend the allotted funds over the designated period of time.

d. When field locations request authority to repair/replace machinery or equipment of a Product Division or staff office, the RSA should include sufficient information on the machines to be replaced to permit proper evaluation. A Request for Special Authorization shall be cross referenced with FPI Form 30, Report of Survey. A Report of Survey (See disposals in this section and Section 8540 for preparation instructions), is required when a disposal of like property is involved. To the extent possible, both the FPI Form 27 and FPI Form 30 shall be submitted together to the Product Division Manager of staff office.

e. Once the master special authorization is received by the Division Managers and the Controller, they may approve the individual special authorizations for the equipment to be procured for their respective activity. Special authorizations approved by the Division Manager and Controller will bear the number designated on the master authorization and in addition, will be individually serialized by sequential numbers. For example, if the master authorization number 1601 and the first individual special authorization is being approved, the Request for Special Authorization form would be numbered 1601.1.

3. <u>Modernization Machinery and Equipment</u>

a. Machinery and equipment required to modernize a current operation or start a new operation is considered Modernization M & E. Equipment in this

category should significantly improve the productivity/efficiency of an operation through increased capacity, automation, or quality of a product. Equipment needed to start a new operation product line or factory is also in this category.

b. Product Divisions and staff offices will forecast their anticipated fiscal year requirements for this equipment for the Corporate Annual Planning Conference. The forecast shall be based upon actual known requirements to the extent possible, and be coordinated with each factory in the division. Corporate Management will review all requests at the conference and approve funding for the next year as appropriate. Decisions shall be based upon availability of funds, future planning for activities involved, and other considerations which may effect the benefit of such funding.

c. Upon Board of Directors approval of a funding level for modernization machinery and equipment, the Controller will assign a master RSA number for the program. The Controller will maintain control of the program and assign all authorization numbers for program expenditures as they are approved by the Deputy Associate Commissioner.

d. Field locations will request formal authority to procure approved items on FPI Form 27 through the affected Product Division or staff office. Upon Division approval, the RSA will be forwarded to a Deputy Associate Commissioner for fiscal approved.

202. EXCEPTIONS

1. Separate RSAs bearing the appropriate master number and sequential number shall be submitted to the appropriate Deputy Associate Commissioner for the following:

a. Vehicles (exclusive of forklift and similar materials handling vehicles and bookkeeping machines).

b. Any single item in excess of $50,000.

c. Any single item in excess of 20% of the total Division allocation for Replacement/Maintenance Machinery & Equipment.

2. A separate unnumbered RSA for M&E requirements for establishment of new industries or major conversion will be submitted by the Product Division Manager to the Associate Commissioner or Secretary of the Board of Directors for approval. Such requests will contain an itemized listing and sufficient justification to allow appropriate review by corporate management.

203. QUARTERLY REPORT OF MACHINERY AND EQUIPMENT EXPENDITURES

Each location will submit a quarterly report of Machinery and Equipment expenditures summarizing authorized and actual expenditures, donations, and disposals.

204. MACHINERY AND EQUIPMENT ACQUIRED WITHOUT EXCHANGE OF FUNDS OR AT A NOMINAL VALUE.

1. In connection with the acquisition of excess and surplus property, the law permit UNICOR to acquire such property without exchange of funds where the transferring agency does not require reimbursement. The provision reads as follows:

> "For its own use in the industrial employment and training of prisoners and not for transfer or disposition, transfers of surplus property under the Surplus Property Act of 1944, may be made to Federal Prison Industries, Incorporated without reimbursement to transfer of funds." (18 U.S.C. 4122)

Purchase orders for such transfers shall bear the following notation: "Transfer to be made without exchange of funds in accordance with 50 U.S.C. 1621a, 18 U.S.C. 4122."

Full advantage of excess property lists should be taken to secure needed machinery and equipment at nominal cost or without exchange of funds.

2. There must be a definite need within a reasonable period before such property is acquired. Upon receipt of such equipment, the warehouse shall prepare a receiving report for the equipment at no value. Machinery and equipment acquired at nominal cost or without exchange of funds, but having an original acquisition cost of $10,000 or more, shall be appraised on FPI Form 30, Report of Survey, (See Section 8540, Report and Forms), by a Board of Survey appointed by the Superintendent. This Board shall consist of an accountant, a store-keeper, and the foreman of the department, shop, or factory concerned. The appraised value assigned, including restoration, installation and transportation should result in a fair market value for a similar item. Donable values assigned to acquisitions which have extra features or capacities exceeding requirements shall be limited to the fair market value of an item meeting the factory's needs. The Board must meet and determine the value to be assigned within five workdays. All items valued at greater than $10,000 must be approved by the Controller. To expedite the Controller approval process the initial approval may be attained via the telephone. However, written approval must be attained after the fact. All appraisals should be recorded on FPI Form 30, Report of Survey.

3. When the appraised value of such equipment is less than $10,000, any related acquisition cost shall be charged to an appropriate expense account. When the appraised value is $10,000 or more, it shall be capitalized. The related acquisition cost shall be capitalized on a separate equipment card.

4. Upon receipt of approved survey reports having an appraised value of $10,000 or more, Business Office personnel shall prepare an FPI Form 13, Equipment Card, identifying the appraised value. If the acquired equipment item is less than $10,000 or classified as sensitive, a "Memo" FPI Form 13, Equipment Card, must be prepared to maintain accountability. Cost data is not required for the memo records. (See Section 8540, Reports, Forms, and Records, for FPI Form 13 preparation instructions.) It will be noted that the item was donated and the assigned value is the result of an appraisal.

205. APPROVAL OF SURVEY REPORTS FOR DONATED PROPERTY

Approval of a Board of Survey Report shall reflect a credit to Account 32010, Donated Property, and a debit to Account 1601X, Machinery and Equipment, via Journal Entry 8b for donated property.

PART 3

BUILDINGS AND IMPROVEMENTS

--RESCINDED--

PART 4

DEPRECIATION

--RESCINDED--

PART 5

DISPOSALS

500. GENERAL

Each UNICOR Field Office shall monitor the property under its control to assure maximum utilization and the prompt disposition of items which become obsolete or excess of needs. Whenever there is sufficient evidence that any Building and Improvement, Machinery and Equipment, Materials and Supplies, Work in Process, or Finished Goods should no longer be retained, the AW I&E/Superintendent of Industries shall appoint a Board of Survey to physically inspect such property and recommend whatever action is considered to be in the best interest of the Government.

501. BOARD OF SURVEY

A Board of Survey shall be appointed by the AW I&E/Superintendent of Industries. The purpose of the Board shall be defined prior to the appointment. The members of the Board shall review all pertinent facts concerning the item(s) to be surveyed, including, the value recorded in the General Ledger. The Board shall use FPI Form 30, Report of Survey, to record the results of their activity and also to submit their recommendations.

502. PROCEDURE

1. The Report of Survey, FPI Form 30 shall contain:

   a. Complete property description.

   b. Brief comments supporting recommendated action.

   c. Journal entries proposed in connection with the transaction. THESE ENTRIES MUST NOT BE POSTED TO THE ACCOUNTS UNTIL DISPOSAL OF THE PROPERTY ON THE REPORT OF SURVEY IS ACTUALLY MADE. (See Section 8540, Reports, Forms, and Records for detailed instructions.)

   d. The trade-in value.

   e. Efforts to locate missing property, the date first missing, and action taken to prevent future losses (if applicable).

2. Field Approval. Survey reports on property which has initial cost, including any donable value, of $5,000 per line item or less may be approved by the AW I&E/Superintendent of Industries or a designee. The blue and yellow copies of the FPI Form 30 shall be forwarded to the Division Office if the cost, including donable value, is $300 or more.

3. Higher Office Approval. When the cost, including donable value, is between $5,000 and $10,000 per line item, the original and copies of the survey report shall be submitted to the Division Office for approval prior to taking disposal action. If the value is greater than $10,000, the Division Office will submit the survey report to the Deputy Associate Commissioner for approval, if the Division concurs with the recommendation.

503. WRITE-OFF OF FIXED ASSETS

Fixed assets shall be written off based on survey reports at the time of disposition. Items which are continued in service, such as trade-ins or future abandonments, which shall be written off when the replacement is received or the item is no longer in service. Account 1601- or 16030 should be credited for the acquisition value of production equipment or industrial buildings and Accounts 16020 and 16040 shall be debited for the amount of related accumulated depreciation. The differences between the debits and credits will be charged to the applicable expense account, sub-account 325, Damaged/Obsolete Property - Fixed Assets.

Book values and the depreciation reserve on surveyed items to be written-off should be determined as of the end of the month in which disposal takes place.

504. OTHER DISPOSALS

Other assets (Raw Materials and Supplies, Work In Process, and Finished Goods) shall be written off based upon a Board of Survey Report, FPI Form 30. Damaged and obsolete inventory shall be charged to the sub-account 32-, Damaged and Obsolete Property. Missing inventory shall be traced to applicable jobs if possible. If it cannot be identified to a job, it shall be written off to Cost of Sales Control, Account 53020. All inventory found missing during an official physical inventory shall be reported on the FPI Form 63A whether traced to a job or not.

505. TRANSFERS

1. Raw materials and supplies shall be transferred within FPI at book value. If according to the Receiver Report the actual value of such raw materials and supplies is less than book value, they must contact the transferor to negotiate an acceptable valuation. The original FPI Form 5 transferring the property shall be processed as billed. If an adjustment is necessary, it shall be made on the books of both industries through a newly initiated FPI Form 5 charge back. See Invoicing, Section 8504.

2. Shipping charges incurred by transfer of raw materials and supplies shall be borne by the benefiting industry. If the transfer is made to relieve the sending institution of inventory items for which it has no foreseeable need, shipping charges incurred shall be borne by the sending institution.

506. DECLARATION OF EXCESS PROPERTY

Property which has been properly surveyed and determined to be excess of local needs will be listed, with one copy of such list sent to each UNICOR Field Office and five copies to the Controller, Resources Division. If, within two weeks, there is no response from any UNICOR business office expressing an interest in these items, a copy of the listing shall be sent to each institution and to the Procurement Section of the Bureau of Prisons. Items remaining on the original listing after 90 days should be reported to the General Services Administration on SF-120, in accordance with FMPR 101-43.315. These reports will be forwarded to the Washington Office for transmittal to the Department of Justice.

507. DONATIONS

Donations of property that was originally purchased by UNICOR shall be charged to Account 65325, Other Expense, Damaged/Obsolete Fixed Assets. Donations of property that was originally donated to UNICOR shall be charged to Donated Property, Account 3200-- through Journal Entry 27.

SECTION 8509
INVENTORY CONTROL AND MANAGEMENT
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PART 1

INTRODUCTION

100. INTRODUCTION

Control of inventories is an essential element of the UNICOR management system. Approximately forty percent of UNICOR's assets is comprised of three classes of UNICOR inventory, (raw materials and supplies, work-in-process and finished goods). Approximately sixty-five percent of the corporation's cost of goods sold is made up of raw material and supplies inventory items. UNICOR's investment in inventories is significant, and the adequacy of inventory stock levels for each inventory item is essential to an effective production program. The right materials in the right quantities must be on hand when needed to avoid production line shut-downs. Over-supply of inventory items leads to unnecessary tie-up of cash, enhances the possibility of raw material obsolescence before it can be used, and exposes UNICOR to possible losses if excess inventory requires disposal. The UNICOR system "APECS" (Automated Production, Evaluation and Control System) has been designed to optimize stock levels, provide meaningful inventory valuations, provide effective control over storage and accurate charges to production job orders.

101. OBJECTIVES

The objectives of UNICOR's Inventory Management System include:

- Minimization of unit costs as well as level of corporate investment in inventory items.

- Assurance of ongoing physical control of stock on hand.

- Minimized delays in production caused by stock outages.

- Minimized losses as the result of raw material obsolescence or discontinued inventory items.

- Controlled warehouse expenses in handling and space utilization.

102. STAFF RESPONSIBILITIES

1. Effective and efficient management of UNICOR inventories at each field location is dependent upon division and field location staff carrying out their assigned duties and responsibilities.

2. Division responsibilities include:

a. Assuring that location personnel accomplish their inventory management duties and responsibilities.

b. Providing guidance in identifying supply sources, notification of product additions, and notifications of changes and deletions to existing Bills of Materials.

c. Assignment of mnemonic classification codes for raw material and finished goods and stock items used by their factories.

3. The AW(I&E)/Superintendent of Industries has overall responsibility for effective implementation of production and inventory management at their field location. Specific responsibility for requesting raw material and supply needs is delegated to the factory managers. Warehouse, inventory accounting, and procurement action is delegated to the location's Business Manager. The inventory management duties of the AW(I&))/ Superintendent and Factory Managers include:

a. Manually preparing production schedules based upon work orders received from the division.

b. Entering and updating the production schedule into the APECS system as orders are received, cancelled, changed or rescheduled. (Transaction T026 and T027).*

c. Entering job orders into APECS when they are placed in production (Transaction T473*) and assuring that the Business Office maintains Production Order and Cost Sheets (FPI Form 9) to account for the production costs related to each job.

d. Obtaining a "pick list" through APECS (Transactions T098*) and assuring that Stores Requisition and Transfer forms (FPI Form 49) are timely and correctly submitted to the warehouse.

e. Continual review of the status of raw material and factory supply stock reports to assure that the material is ordered as needed

4. Business Manager Responsibilities. The location Business Manager delegates his responsibilities to factory accountants, the warehouse manager and the procurement officer. In addition to assuring that these delegated responsibilities are carried out the Business Manager assures that on-going and periodic physical inventories are taken and processed as prescribed in this manual.

5. The Procurement Officer's assigned duties and responsibilities include:

a. Taking action as directed by a Factory Manager's Request for Purchase (FPI Form 89), notifying factory and warehouse personnel as to the results of such action and entering purchase orders for raw materials into the APECS system. (Transaction T008*).

b. Assuring that data in the APECS system accurately reflects procurement lead time and current cost of material and supply items to be used in meeting production planning schedules.

c. Obtaining raw materials and supplies that meet factory management specifications at the most effective (quality versus cost) prices available.

6. Warehouse Responsibilities. Overall supervision, paperwork flow and APECS data entry* (office type functions) are the responsibility of a Warehouse Manager. Day-to-day receiving, storage,and issue (floor walking type functions) are the responsibility of a warehouse foreman. Specific duties and responsibilities of warehousemen include:

a. Accurate documentation of receipts and issues of raw material and supply items.

b. Accurate input of receipts, issues and inventory adjustments to the APECS system by the close of business of the day the event occurs.*

c. Maintenance of effective storage layout, an effective stock locator system, stock-pulling procedures that result in ready access to stock items for issues and physical inventory, avoidance of stock obsolescence (use old items before new), and safe working conditions for warehouse civilian and inmate personnel.

d. Prevention of access to the warehouse facility by other than warehouse personnel.

e. Close liaison with Business Office and Quality Assurance personnel on documentation, quality of receipts and reconciliation of APECS quantity data* with accounting stock record cards.

f. Effective supervision and training of inmate personnel assigned to the warehouse activity.

7. Factory Accountant Responsibilities. Factory accountants are responsible for timely and accurate recordkeeping of receipt and issue data including Stock Record Cards (FPI Form 47M) or the APECS system*, and Production Order and Cost Sheets (FPI Form 9) documentation.

8. Quality Assurance Responsibilities. Quality Assurance personnel are responsible for prompt inspection of incoming materials and supplies identifying defective material and submitting Receiving Rejection Reports FPI FORM 122 as required. This function is carried out as an added responsibility to identifying and promptly reporting defective factory work. Defective work is reported through Defective Work/Scrap Reports FPI Form 31 which identify the accounting treatment that may relate to inventory items.

103. UNICOR's INVENTORY MANAGEMENT SYSTEM

UNICOR's inventory management system is a combination of manual nd computerized procedures.

1. A computerized Materials Requirements Planning (MRP) technique is used for control of UNICOR inventory items. In general MRP is a technique that controls and schedules the replenishment of inventory items based on the requirements for raw materials and supplies at specific times in the future. The computerized system consists of three major elements:

a. Inventory Control: Keeps track of inventory; maintains records to reflect current amounts on hand whenever there is an issuance or receipt; also keeps track of amounts allocated to jobs in the future, and of quantities on order and due in.

b. Planning: Helps management plan what, when, and how much inventory to acquire to meet the needs of the production schedule.

c. Documentation: In order for the above two functions to work, there must be a data base--a collection of information describing the end items UNICOR manufactures and the component parts of each item. Management can change the data base whenever there is an additional product or change to an existing product.

2. The manual control system for inventory items includes processing receiving reports, stores requisitions and adjustment journal entries in addition to maintaining subsidiary and General Ledger control records. A manual stock and control system, processed through National Cash Register posting machines or location micro computers are used for financial control of inventory items pending further development of the APEC system.

104. DEFINITION OF TERMS

1. Inventory - the term used to designate the aggregate of those items of tangible personal property which (1) are held for sale in the

ordinary course of business, (2) are in process of production for future sale, or (3) are basic materials stored for future use in the production of customer orders.

2. Inventory system - involves the controls over movement of materials from supplier to ultimate disposition to customers; including: purchasing, receiving, materials storage and handling, production and production control, and distribution.

3. Inventory stock level - a function that establishes the desired quantity of each inventory item that is needed for production requirements for identified time periods.

4. Inventory costs - generally includes purchase prices, transportation, physical loss of materials, interest on investment and cost of operating the control system. Also included are opportunity costs associated with lost revenues due to outages or non stocked items at the time of need.

5. Inventory values - the values assigned to each item of UNICOR inventory. Common methods of assigning inventory values are cost, market, last-in first out (lifo), and first in first out (fifo). UNICOR uses an average cost method (value of stock on hand with latest acquisition value added; this total divided by the units on hand after latest receipt provides a revised average unit cost).

6. Inventory management - the board area of planning and controlling and the devices used to implement those plans and controls.

*Disregard if not yet on APECS.

PART 2

INVENTORY REAL ACCOUNTS

200. INVENTORY REAL ACCOUNTS

There are three series of real accounts for inventory: Raw Materials and Supplies, Account 130--; Work-in-Process, Account 140--; and Finished Goods, Account 150--; that are used by UNICOR to classify inventory. Raw materials are bought into the system from a variety of sources and are then converted to work-in-process inventory upon request of factory personnel. Direct labor and overhead costs are added to the material valuation in changing the form of raw material items to a UNICOR product. When materials, direct labor and overhead cost have been converted into a UNICOR product, it becomes a finished goods item for inventory purposes.

201. RAW MATERIALS AND SUPPLIES

The acquisition or procurement of raw materials and supplies for any use and from any source shall be in accordance with Federal Property Management Regulations and UNICOR's Procurement Procedures Section 8530 of this account manual. As a general rule, purchased or manufactured component parts, used directly or indirectly in the production process, will not be stocked in excess of quantities required to fulfill firm customer orders for end items. Raw materials stocking programs may be authorized on an exception basis by the Secretary/Deputy Associate Commissioner, upon receipt of a Request for Special Authorization (RSA) from the appropriate Product Division Manager. The RSA will provide a complete economic justification and, if approved, will be in effect through the end of the fiscal year in which issued. Acquisition of factory supplies cannot be effectively based on customer orders, and each factory location must develop some other feasible method to control stock levels for factory supply items. Exception to stock level rules are instances in which quarterly and/or lot size restrictions imposed by vendors force acquisition of materials in excess of current job order needs.

202. PURCHASE ORDER

Acquisition of raw materials and supplies is predicated upon a factory manager's submission of a Request for Purchase, FPI Form 89. Those requests are based upon "Order Signals" from the APECS system* or a requester's override of that system. The location's procurement officer takes procurement action in the form of a Contract Order for Supplies or Services, Standard Form 147 (purchase order).

Each active purchase order has a unique identification number incorporating the location code into a five digit serial number. Each location's Business Office is responsible for ensuring that individual purchase orders are assigned a control number. A copy of each purchase order involving receipt of inventory items or other tangible property that will process through the location's receiving unit is forwarded to the receiving unit to advise of pending receipts. It is entered into APECS through transaction T008.*

203. SURPLUS PROPERTY

Full advantage will be taken of excess and surplus property lists to secure needed materials and supplies at nominal or no cost, so long as a bona fide need exists within a reasonable time period. Purchase orders for the transfer of excess property with no exchange of funds will bear the following notation:

"Transfer to be made without exchange of funds in accordance with 50 U.S.C. 1621a, 18 U.S.C. 4122."

1. Upon receipt of surplus property items with an original value of less than $10,000.00, a "memo" receiving report shall be prepared that will be entered into the APECS system* and entered into the receiving report register without dollar valuation. These items shall be added to current stock levels at no cost and no accounting is required.

2. Upon receipt of surplus property items with original values of $10,000 or more a "memo" receiving report shall be prepared that will <u>not</u> be entered into the APECS system* but will be entered in the Receiving Report Register without dollar valuation. "Memo" stock cards FPI Form 47 will be prepared to establish quantity control. These items are subject to valuation by a Board of Survey.

a. A Board of Survey will be appointed by the AW I&E/Superintendent of Industries with specific instructions to appraise (maximum elapsed time of five days from date of receipt) the surplus property received at fair market value. Boards of Survey must recognize the following general guidelines:

1) Three member Boards of Survey will be appointed by the AW I&E/Superintendent of Industries consisting of one member from each of the following areas: Business Office, Warehouse or Quality Assurance and the foreman of the department, shop or factory requesting or required to use the surplus property received.

2) Line item appraisals will be based upon original acquisition values as noted on the surplus property listing, GSA condition codes and the extent of modification required to adapt the items to UNICOR needs. Considering all these factors, the property shall be appraised at fair market value. The primary purpose is to provide a realistic appraisal so that production costs are not distorted by an under or over valuation of raw material costs.

3) The results of the Board of Survey action shall be reported on a Report of Survey, FPI Form 30 and approved by the AW I&E/Superintendent of Industries.

b. Upon approval of a survey action by the AW I&E/Superintendent of Industries, approved valuations shall be debited to Raw Materials and Supplies, Account 13010 and credited to Donated Property, Account 32010. The Receiving Report Register shall be annotated on the "memo" Receiving Report line referencing the Board of Survey report. A copy shall be transmitted to:

1) The Stock Record card clerk for recording on stock cards and removal of applicable "memo" stock cards. NOTE: separate stock cards are required for donated property. These property accountability records shall not be co-mingled with purchased property.

2) To the warehouse for notation in the Receiving Report Log referencing the Board of Survey report and entry of the stock items available into the APECS* System

3) The factory foreman requesting the surplus items to advise of their availability.

3. In those instances where property received by donation is later donated to a non-UNICOR activity based on Board of Survey recommendation, the field location will debit Account 32010 or 32020, Donated Property and credit Account 13010, Raw Materials and Supplies. A requisition and shipping order will be prepared and forwarded to the warehouse for action and recording into the APECS* System.

4. Freight costs of obtaining donated property shall be expensed as incurred and not added to the appraised value.

204. DEFECTIVE MATERIAL/SCRAP/OVERAGES/REWORK

In every UNICOR warehousing operation a separate area shall be used to store bailment material, defective material, and scrap. Within this area items shall be segregated by the control document involved (receiving or

defective work/scrap report). The source of these raw material items as specific control procedures are as follows:

1. Quality assurance personnel reject raw material received from a supplier due to the suppliers failure to meet purchase order specification. If the entire shipment fails to meet specifications, the Receiving Report, FPI Form 11, shall be reclassified from 13010, Raw Material to 13030, Defective Material, and the Receiving Report Log notated as to the receipt of defective material. If only part of the shipment is rejected, the initial Receiving Report shall be adjusted to acceptable units and an additional receiving report prepared for the defective material. The Receiving Report Log must be updated with the revised data concerning the corrected receiver and record the additional Receiving Report for the defective material.

a. After classification, and dollar value adjustment, the Receiving Reports will follow regular Receiving Report distribution procedures.

b. The defective material Receiving Reports must be transmitted into the APECS system to establish stock control and to-up-date the status of planned receipts. The defective material received, if of significant quantity may require alternation of the procurement cycle. The rejected materials will be stored in the area provided for such items. Copies of defective material Receiving Reports will be forwarded to the Business Office and the requester of the materials as for regular receivers. The factory accountant will record the defective material receivers to stock cards pending disposal action.

c. Upon decision to return the rejected material the Business Office will prepare a shipping order direction warehouse personnel to return the rejected items to the supplier. The data will be entered into the APECS system via transaction T019 and the factory accountant will record the return to his stock cards thereby eliminating the defective material from the accounting records.

d. Should a decision he made to use the defective material the business office should advise the warehouse foreman to prepare a requisition to remove those items from 13030, Defective Material, to 13010, Raw Material, via journal entry 12 and to enter the transaction into APECS.

2. Overshipment of materials that are not immediately cleared for acceptance or rejection by the requisitioning officer shall be brought into the warehouse on a regular receiving report that is recorded in the Receiving Report Log and transmitted into the APECS system.* The location Business Manager must assure that a decision is promptly made concerning retention or return of raw material overshipments. The return of excess material to the supplier is processed in the same manner as the return of defective material to the supplier.

3. Quality assurance rejection of materials in process or completed production items that are not immediately reworked pending a decision to rework or scrap shall be transferred to the warehouse by requisition and a Defective Work/Scrap Report (FPI Form 31). If it is determined immediately that the items should be scrapped, a requisition should be drawn by the Factory Manager transferring the items from materials in process, account 14010, charging Abnormal Costs, Account 54000, for the difference between the rejected materials scrap value and materials in process inventory value. Account 13040, Scrap, shall be charged with the estimated (net of disposal costs) scrap value as established by Quality Assurance personnel on the FPI Form 31. For those items held pending a decision to scrap or rework, a requisition should be prepared by the Factory Manager transferring the items from material in process inventory to raw materials and supplies - Defective Material, Account 13030. The transfer to account 13030 should be recorded at its realistic current value as established by Quality Assurance personnel on their "Defective Work/Scrap Report". The difference between the value removed from material in process inventory Account 14010 and the charge to Account 13030 is a known loss and is charged to "Abnormal Costs", Account 54000, (See Journal Entry 12). In either event, transaction T005 is used to record this activity in APECS. If the item is later reworked, transaction T011 is used to release the rework job.*

A requisition is used to transfer defective material from account 13030 to work in process inventory upon decision to rework. A requisition is drawn to transfer the material from Account 13030 to Account 13040, Scrap, if it is decided not to rework the rejected items (See Journal Entry 12). There may be an additional amount to be charged to "Abnormal Costs", Account 54000, upon transfer of defective material to scrap, dependent upon the defective material's value as scrap. A UNICOR invoice is used for the sale of all items classified as scrap.

4. Customer return of UNICOR products for not meeting specifications are brought into the institution via a Receiving Report without a dollar valuation pending quality assurance inspection. If substantial rework is required, quality assurance personnel will prepare a Defective Work/Scrap Report, FPI Form 31, noting the estimated cost to rework of the rejected products. The unvalued Receiving Report and the FPI Form 31 are turned over to the factory accountant who obtains original cost values from the Shipping Order and Cost of Sales Register. This information is provided to the Warehouse Manager who reports the dollar values on the Receiving Report. Copies of the Receiving Report and FPI Form 31 are forwarded to the Business Office for entry into the stock record cards or into APECS through transaction T018.*; and posting of Journal Entry 8a debiting Account 13030 and crediting Account 51000 Cost of Sales. (See UNICOR Cost Accounting Manual Paragraph 406.5).

5. In those instances where quality assurance personnel determine that the cost of rework is not significant a Defective Work/Scrap Report report will not be prepared. (See UNICOR Cost Accounting Manual, paragraph 406.4). The Warehouse Manager will use original cost values in completing the Receiving Report and record the returned goods as Finished Goods Account #15 via journal entry 8. Entry into the APECS system* and financial records follows routine Receiving Report procedures. Since this activity merely sets the stage for rework activity, a notification to the Factory Managers is required to assure that the rework is promptly placed into production planning schedules.

205. SHOP STOCK

Raw Materials and Supplies Account 13020, Shop Stock, arises from the simple process of transferring bulk material such as rolls of steel, drums of paint, and rolls of screening from sub-account 13010, Materials and Supplies, via journal entry 12. The shop stock account is used when amounts requisitioned are substantially greater than the need for a production job and the type of material involved cannot be readily supplied in the quantity needed for the job. As a result, requisition quantities are restricted to issuable units such as a roll, drum, etc. The issuable unit is transferred to the factory floor where physical inventory control of usage becomes the responsibility of factory personnel. This transfer is recorded in APECS by using transaction T014 to move material to a location which is identified with shop stock.* Withdrawals for production jobs are documented by requisition with the furnished column completed by the factory manager. Filled requisitions are then forwarded to the Warehouse Manager for assignment of a warehouse control number and processing into the APECS system (Transaction T023 and T022*) and the accounting records (see paragraph 303 - Issues). Due to the loss of inventory control inherent in this procedure, periodic physical inventories of shop stock are essential and must be accomplished at each month end to assure proper charges to production jobs and month-end inventory valuations.

206. WORK-IN-PROCESS

Work-in-process inventory items are the result of the production process. Responsibility for physical control and valuation lies with factory personnel and the accounting function maintained by Business Office personnel, respectively.

1. The three elements (material, labor and overhead) of product costs are used in the valuation of work-in-process items. Direct material costs are obtained through the requisition process and direct labor costs through time and rate charges as documented by factory personnel. (See Payroll, Section 8511, of this manual.) Overhead costs are obtained by applying a predetermined rate to each dollar of direct labor cost (see UNICOR Cost Manual, Part

2. These three elements of costs are accumulated by production job on FPI Form 9, Production Order and Cost Sheets. The FPI Form 9 serves as a subsidiary record for work-in-process inventory control. The process of accumulating work-in-process inventory costs is complex and frequent checks on work-in-process inventory balances is warranted through the physical inventory process.

3. Factory personnel are responsible to identify their raw material needs based on the "pick list" generated by the APECS system* or override of that system as necessary. A Stores Requisition and Transfer, FPI Form 49 is prepared by the Factory Manager. A factory control number is assigned and one copy of FPI Form 49 (see UNICOR Cost Accounting Manual, paragraph 307) is retained by the Factory Manager for a memo file. The original and remaining copies are forwarded to the Warehouse Manager for processing along with the "pick list".*

4. The Warehouse Manager reviews the requisition for accuracy, validity, and completeness. The warehouseman returns the document for corrections if the identity of the material does not conform with UNICOR Standard identification numbers, nomenclature, or quantity needs of the production department. Valid requisitions are turned over to the warehouse foreman who assigns a requisition number, pulls the stock items requested, fills-in the quantity furnished column, dates, and signs the requisition. He then advises the requesting factory foreman that the material requested is available for pick-up.

5. Upon receipt the factory foreman signs the FPI Form 49 and pulls one copy for his files. Four copies are retained by the Warehouse Manager who enters the FPI Form 49 information into the APECS System (Transaction 022 or 023*) to update the raw materials and supplies inventory. Three copies of the FPI Form 49 are forward to the Business Office for recording in the Requisition Register, posting to the applicable Material Stock Control Card, FPI Form 47, and the Production Order and Cost Sheet, FPI Form 9. The Business Office forwards one copy of the recorded FPI Form 49 to the Factory Manager as an advisory that the stock has been withdrawn, transferred to work in process, and recorded. The Requisition Register is closed each month and summarized for Journal Entry 12.

6. Direct labor cost is accumulated by factory foreman (see Payroll Section 8511 of this Manual) and forwarded to the Business Office for calculation of the inmate payroll and posting to the FPI Form 19. At month end or close of a job, the FPI Form 19 data is posted to the FPI Form 9. The direct labor charges per job are summarized at the end of the month on the FPI Form 9 and compared to the total direct labor on the payroll voucher for verification of accuracy. The payroll may then be posted to Account 14020 via Journal Entry 9. (See Chapter 8506, paragraph 308).

7. Factory overhead expense is added at month-end by applying predetermined overhead rates (See Chapter 8506, paragraph 606) to the recorded direct labor cost for each job. These overhead costs are recorded on the FPI Form 9 and are summarized on FPI Form 51. The total shall be verified by comparison with the applied overhead determined by applying the predetermined overhead rate to the monthly total labor charged to Account 14020. Any differences not resulting from rounding shall be isolated corrected. Overhead is then posted to the General Ledger via JE 17.

207. FINISHED GOODS

1. As a general rule, finished goods will not be produced for stock but, rather, produced in quantities to fulfill requirements created by firm customer orders. Product Divisions will authorize production by assigning a production order number for each customer's purchase order.

2. Finished goods stocking programs may be authorized on an exception basis by the Deputy Associate Commissioner, upon receipt from the appropriate Product Division Manager of a Request for Special Authorization. The RSA will provide a complete economic justification and, if approved, will be in effect through the end of the fiscal year in which issued.

3. All standard products will carry a National Stock Number (NSN) to facilitate finished product control and identification. Product Division Managers will determine which new products are to be designated "standard". During the interim, while awaiting NSN assignment, new standard products may be assigned a temporary UNICOR part number, in the format "TPN-0000", by Centralized Number Assignment, Corporate ADP.

4. End products are removed from Work In Process and reported to the Warehouse Supervisor through use of the FPI Form 49, Storeroom Requisition. This form shall be prepared by the Factory Manager, daily if practicable, and numbered sequentially using the prefix "FG" (Finished Goods), a document number; e.g. 0001-83 to show the fiscal year also and a factory identifier if appropriate. After the form has been signed by the Warehouse Supervisor, the Factory Manager will:

a. Give one copy to the Warehouse Supervisor.

b. Give the original and first copy to the factory accountant.

c. Retain one copy for the factory job folder file.

The original FPI Form 49 shall be priced as soon as practicable from the cost data on the FPI Form 9 for the job to which it applies. After pricing, the FPI Form 49 shall then be posted to a Finished Goods Register, in it's proper sequence and to Finished Goods stock records cards. The original of the FPI Form 49 shall be retained in a file to support the Finished Goods Register while the second copy shall be placed in the business office job folder to support the delivery to finished goods.

5. Finished Goods valuations should be reviewed by the location accountant for unrealistic unit values. While the UNICOR Cost Accounting Manual requires a factory management review and analysis of each completed job, with explanations provided on the FPI Form 9 for major variances from estimated costs, the accountant's check assures that recorded finished goods values are reasonable. In those instances where the values assigned to finished goods on the FPI Form 49 exceed 95% of selling price (see UNICOR Cost Accounting Manual paragraph 612), an adjustment of cost should be made to 95% of selling price through Journal Entry 21C.

In many factories completed products are immediately shipped to customers and are not reflected as finished goods on periodic financial statements. In those instances, adjustment to 95% of selling price is not necessary for inventory valuation purposes. Production Order and Cost Sheets, FPI Form 9, data advise management of the lack of profitability on production jobs and Account 53010, Inventory Valuation Write-off, merely serves as an offset for inventory valuation purposes. (Journal Entry 21d serves as the media for finished goods valuation adjustments.)

6. Transfers to finished goods for the month per the Finished Goods Register shall be made via Journal Entry 18 and 18a.

7. Finished goods stock cards must be maintained or entry made to APECS for Finished Goods* even though finished goods are promptly invoiced to customers. These records (stock cards/APECS) provide essential historical information on product activity that is needed for production and sales planning. The total amount of finished goods as reflected on these stock cards shall be reconciled each month to the finished Goods account balance(s).

*Disregard if not yet on APECS

PART 3

WAREHOUSE FUNCTIONS

300. WAREHOUSE FUNCTIONS

The primary functions of the warehousing operations are receiving, storage, and issue of inventories. Accurate organized documentation is required in all three of these areas. All incoming items to a UNICOR location must pass through the warehouse receiving unit where they are identified, inspected, counted, and documented. Stored items must be informatively and clearly labeled, stored for ready access to warehouse personnel, and protected from access by other than warehouse personnel. Warehouse issues must be effectively documented and be in the quantity and by type of item requested by factory personnel.

301. RECEIVING

Receiving is the responsibility of the warehouse foreman and is a critical time from the standpoint of inventory security and material control. Receiving personnel must assure that incoming items warrant acceptance by their institution, that they are devoid of illegal contraband, and that they are consistent with order quantities and specifications. A warehousing facility is one of the most vulnerable areas for introducing contraband into an institution. Precautions must be taken on each receipt to assure that contraband items have not been included.

1. Initial review of the material received and the packing slip should assure that the items received belong to the location. Physical count of units received must be accomplished without reference to support documents to avoid prejudicial counts due to knowledge of what should be there. Therefore, a warehouse worker other than those with access to the packing slip or purchase order should make the count or do the weighing. The data on the packing slip should then be compared with the count or weight of material received. Any discrepancies must be noted on the packing slip and carried forward when preparing the Receiving Report.

2. Maintaining any form of effective material control starts with correct input into the system. After verification of the packing slip, a Receiving Report, FPI Form 11, is prepared that serves as the principle document for data input into APECS* and the accounting records.

ILLUSTRATION 1
RECEIPT OF MATERIAL FLOW CHART

3. The control number for a Receiving Report is obtained by selecting the next sequential number from the Receiving Report Log maintained by the warehouse foreman. Each Receiving Report number is prefixed with an applicable factory code i.e. EC, Electronic Cable factory. Minimal descriptive information to assist in recall regarding the receipt should be noted in the Receiving Report Log on the line for the newly assigned receiving report number. See paragraph 301.12.

4. Warehouse foremen assure that a Receiving Report is prepared for each receipt regardless of the type of item or problem with the shipment, such as damages, valuation, or availability of support documentation. Each item received shall be identified on the FPI Form 11 by part number as provided by UNICOR's Material Requirements Planning system. Part numbers will be in the format "XXX-00000." The prefix "XXX" represents a mnemonic (memory-aiding) classification code, such as "SCR" for screw. These codes are predefined; a list is contained in the APECS Operating Manual Inventory Management. If the system does not have a part number available for the item received, the Product Division shall be contacted for an assignment of a standard identification number.

5. The warehouse foreman is also responsible for noting accounting classification codes on each Receiving Report. Generally the warehouse copy of the purchase order will provide the appropriate accounting classification code that should be used. If not, Business Office personnel should be contacted for that information.

6. Upon completion of the FPI Form 11, the receipt is entered into APECS (Transaction T019*) after the material and Receiving Report is made available to quality assurance personnel for their inspection as to quality, condition and propriety of the items received. The warehouse foreman must assure that a quality assurance inspection is made or document the reason for no inspection. (See Reports and Forms Section of this manual for FPI Form 11 preparation guidelines.)

7. Items received without an advance copy of a purchase order should be routinely received and inspected with the Receiving Report annotated as to the fact that there was no purchase order available. For example, samples received from a supplier or material arriving from another UNICOR operation without advance notice may not be supported by a purchase order. Receiving Reports should clearly disclose the extent of overshipped items. Overshipped items will not be given any special accounting classification code, however, Business Managers are responsible for obtaining a prompt decision whether to return the overshipped items to the supplier or retain them as a stock item. The phrase "receipt overage" should be a

to the Receiving Report. Factory Managers or the location AW I&E/Superintendent is responsible for any action to be taken on overshipments. No action results in the acceptance of the overage. If a decision is made to return the overage, responsible officials should notify the Business Manager of the appropriate action to be taken.

8. Whenever tools or other dangerous materials are received, a Controllable Item Report must be prepared for the items received. The Controllable Item Report, prepared in addition to the FPI Form 11, is sent from the Warehouse Manager to the institution Control Officer. It shall disclose the date received, a sequential control number, applicable purchase order and receiving report numbers, item, quality, and description. It should include a signature line for the Warehouse Manager and an acknowledgment area that includes space for the Control Officer's signature. A copy of the Controllable Item Report should be sent to the AW I&E/Superintendent of Industries for his permanent files and a suspense file copy retained by the Warehouse Manager. The original and one copy should be forwarded to the Institution Control Officer. One copy to be returned to the Warehouse Manager acknowledging receipt of the tools. Upon receipt of the acknowledged copy the Warehouse Manager destroys his suspense file copy and permanently files the acknowledged copy.

9. Incoming material inspection by Quality Assurance personnel must comply with the requirements specified in UNICOR's Quality Assurance Manual. These requirements include instruction for quality assurance certification on the FPI Form 11 or reasons for non-inspection. Material may be rejected, retained for rework, or accepted. When material is rejected, Quality Assurance personnel must prepare a Receiving Report, EDQ 122 (See Reports and Forms Section of this manual). The Receiving Report shall be revised and adequately annotated as to the extent of defective material, referencing the EDQ 122 report. Upon completion of their inspection and certification, quality assurance personnel will forward the FPI Forms 11 and 122 to the Warehouse Manager.

10. In the case of rejection material, the Warehouse Manager will change the accounting class code from Account 13010, Raw Materials and Supplies, to Account 13030, Defective Material. In those instances of partial acceptance and partial rejection, separate Receiving Reports should be prepared to facilitate control over the defective merchandise. Upon assurance that the Receiving Reports are proper, the Warehouse Manager will have the data entered into APECS.* Rejected material Receiving Reports are entered to provide support for Account 13030 inventory items and to update the APECS data so that corrective action can be taken to offset the loss of planned material acquisitions and avoid an inventory outage.

11. After entering Receiving Report data into APECS* the Warehouse Manager forwards the original and one copy of the FPI Form 11 to the Business Office. The accountant files the original in the open voucher bin with the applicable procurement documentation to provide support for the subsequent payment. The extra copy shall be used by accountants to enter Receiving Report data on to the Receiving Report Register and on UNICOR Stock Cards, FPI Form 47M. The extra copy is then filed numerically. A Receiving Report Register is maintained for each factory and contains columns for date, Receiving Report number, Account 22000, Unvouchered Receipts, and other recurring accounts (i.e, 13010), and a miscellaneous column for infrequently used accounts. At the close of each month the register(s) is totaled, footed and verified. These figures shall then be posted to the General Ledger via Journal Entry 8, 8a as appropriate.

12. Posting clerks recalculate stock card unit prices for each posted receipt. That calculation establishes a new unit price for the combined total of old and new items. The total units after recording quantity received is divided into the total dollar value of all items on the stock card. The result of this calculation provides the average unit price to be used in charging subsequent issues into production.

13. The Business Manager is responsible for periodic review and follow-up on items recorded in Account 13030, Defective Material. When a decision has been made to return rejected material a GBL will be prepared. The Business Office personnel will direct the Warehouse Manager to accomplish such return. The warehouse foreman prepares a Stores Requisition and Transfer, FPI Form 49, following regular requisition procedures. The FPI Form 49, should be annotated with an explanatory note as to the reason for the return of the material, identification of the management official directing the return, and the GBL number that applies to release of the defective material. In entering the transaction in the Requisition Register, Unvouchered Receipt Account 22000, will be debited and Defective Material, Account 13030, will be credited via Journal Entry 12. These same procedures will be used for return of overshipments, except the credit side of the entry in the requisition register will be to Raw Materials and Supplies Account 13010 following regular procedure. The FPI Form 49 should be annotated with the GBL number and an explanatory note as to the reason for the return of the item. The information is entered into APECS via Transaction T019.

302. STORAGE

Storeroom layout and procedural plan for the flow of raw materials and supplies into and out of the storeroom are the responsibility of the Warehouse Manager and Business Manager. The actual physical storage of inventory items is the responsibility of the warehouse foreman.

1. Physical Areas. Distinct physical areas shall be maintained to the extent possible to facilitate the traffic patterns in a warehouse operation. The traffic patterns include material flow from receipt to storage to issue. The paperwork flow is from purchase order advice of stock due in, to receiving reports, stock rejection reports, stock issue requisitions and physical inventory data. The people pattern includes receiving stock items, Quality Assurance inspectors, storing personnel, stockpullers, and personnel who deliver or pick-up the stock issues. Generally, six areas should be designated to facilitate these traffic patterns and should include a receiving dock, inspection area, main warehouse, issue room, a caged area for "hot" items, and a warehouse office. This is not meant to prescribe UNICOR requirements as the availability of space and warehouse requirements varies significantly at factory locations.

a. Receiving dock area - where trucks, etc. are loaded and unloaded. It should be large enough to adequately unloaded, count and initially inspect and properly examine all incoming material. All material must be retained in this area until a Receiving Report is prepared. After the Receiving Report is prepared the material is given over to Quality Assurance personnel for their inspection and certification.

b. Quality assurance inspection area - an area will all material is certified or inspected prior to storage or transfer to production duction. A separate storage area must be maintained for material that does not pass inspection or must be held pending further tests. A separate room with locking door or a steel mesh cage should be used. Access must be limited to warehouse supervisory personnel or Quality Assurance personnel.

c. Main warehouse area - where all items that have been inspected and certified as acceptable are stored. An exception to this procedure occurs when specialized or immediate use items are transferred immediately to the production floor. This area must be large enough to segregate material by type, provide for employee safety and provide adequate aisle space for easy accessibility in filling factory requisitions. There should be adequate bins, shelves and pallets for effective storage. Lighting must be adequate to identify numbers and facilitate location of stored items. Adequate heat for winter and cross-ventilation for summer activity must be provided. Similar material should be stored together and flammable materials must be placed in a separate storage area readily accessible to fire prevention/fighting equipment.

Grouping by type in addition to bailment, defective material and flammable materials includes such items as hardware, lumber, packaging, leather and cable. For a variety of items bins provide the best method of storage. Self-adherence tape or some similar device should be used to adequately identify the items in the bin. Bagging of bin stock can facilitate stock control. Content labels displaying quantity and unit identification facilitates stock pulling and the inventory process. New tags must be used to replace labels when less than a bag quantity is pulled. The benefit of adequate control more than offsets the added work of replacing labels

Shelving also facilitates the grouping of stored material. Shelving must be sturdy enough to handle the type of items stored and be subject to change when product lines change. Shelving provides for off-floor storage and easy access for pulling stock. Bulky items should be palletized as another form of shelving.

d. Issue area - located in close proximity to the warehouse office area. As stock items are pulled, orders are assembled in this issue area. Rechecks can be readily made to assure that orders are accurately filled.

e. Caged "Hot" item area - located near the receiving dock to permit "hot" items and items that cannot be immediately counted to be stored until they can be appropriately handled.

f. Warehouse office area - location must provide sufficient visibility of the whole warehouse area to prevent unauthorized access to stored materials and supplies. The facility should provide sufficient desk space and office equipment to handle the paperwork flow required of the warehousing function. In addition to the actual working area, there must be a "break area" and adequate restroom and sanitary facilities for warehouse personnel.

2. General Principles for Storeroom Layout. Layout of a stores area in a UNICOR field location cannot be prescribed exactly due to the wide variation in needs at individual locations. However several universal principles related to layout of storage areas should be applied:

a. Stockrooms should be laid out so that materials flow from receiving at one end to the distributing point at the other end.

b. The stockroom should be provided with a main center aisle to control internal flow, and sufficient cross aisles to provide ready access to all bins and shelves. The main aisle should be wide enough to

provide for two-way traffic; aisles between shelves and bins should be limited to one-way traffic.

c. A separate packing and unpacking area should be provided to prevent cluttering aisles with packing materials.

d. Slower moving items should be located away from the main aisles to facilitate materials handling.

e. A system should be provided to ensure that old stocks are used first to lessen the risk of deterioration and damage due to excess handling. Since lots lose their identity when placed in bins, a plain ID tag should be attached to each container in a shipment that indicates the date of receipt, or the containers themselves can be stenciled as to receiving date.

f. Storage areas should be segregated by type, e.g., all bins and shelves should be together, there should be a separate area for all pallet racks, etc.

g. Each storeroom shall have an effective locater system. It should be logical and simple to follow in the event a temporary warehouseman has to be assigned in the absence of the warehouseman. It should be documented with a narrative description of the system as well as illustrations of the primary locator codes. The presence of an effective and easily understood locater system is essential to an efficient storage operation.

3. Access to Stores. At each location, the warehouse foreman will be held responsible and accountable for effective storage of the stock. He will ensure that a throughgoing system of stockroom control is established and followed which prevents unauthorized withdrawls and withdrawals without proper documentation and recording of issuance.

a. Most violations of this principle are made by well-intentioned production personnel whose only concern is to get needed materials to keep production going. If stores are open, unauthorized withdrawals with little likelihood of proper recording will be made. Other problems created by this practice include, the higher probability of withdrawing the wrong materials/parts and the possibility that a higher priority need for the stock will be circumvented; e.g. planned jobs.

b. All stockrooms will be constructed so that entry and exit can be controlled. No one will be permitted inside the stockroom unless under the personal supervision of a warehouse foreman. In situations

where the warehouse foreman has additional duties, the storeroom will be locked in his absence. Procedures shall be devised whereby routine issues are restricted to periods of time when the warehouse foreman can be on hand. Those procedures should

provide for emergency issues under the auspices of the Business Manager or the AW I&E/Superintendent of Industries, with adequate documentation required for any withdrawals made or items received during the absence of the warehouse foreman. (Log Book noting date of action, materials involved, and the reason for use of the emergency process.) Upon return, the warehouse foreman shall complete the necessary paperwork such as assigning document control numbers, preparation of Receiving Reports and/or requisition documents and proper distribution of transaction copies.

c. Exceptions to these rules will be supported by written authorizations from the appropriate product Division Manager, such as, economic justification for maintaining some inexpensive common use items on the factory floor as "Shop-Stock".

4. Safety Considerations. It is the responsibility of every staff member working within the UNICOR Warehouse to insure that proper Safety and Sanitation procedures are constantly observed. Precautions should be taken in advance to insure that lost time due to injures or accidents are avoided. Periodic safety lectures should be provided inmate warehouse crews. When held these meetings should be documented as to the time held, personnel in attendance by name, subjects discussed and the name of the civilian who held the meeting. The original document should be forwarded to the Institutions Safety Manager and a copy retained in the warehouse files. Accidents can be avoided. By instructing each member of the Warehouse crew in proper safety and sanitation techniques, accidents and hazards can be eliminated. By instilling a sense of pride and responsibility in each individual, the warehouse can be a safe and efficient operation within UNICOR.

303. ISSUES

Issues from the warehouse are generally based upon requests from factory managers for production needs Those requests are in the form of six part Stores Requisition and Transfer, FPI Form 49, attached to an APECS "pick list"*.

1. The Factory Manager assigns a factory control number to the FPI Form 49 and specifies the production order to be charged for the material. The requisition details the items and quantity required identified by UNICOR part number and article description. APECS also supplies a hard copy "pick list" in bin sequence to facilitate filling the requisition. The Factory Manager retains one copy as a suspense file and forwards the original and 4 copies to the Warehouse Manager.

2. The Warehouse Manager reviews the requisition for propriety and assigns sequential accounting control numbers. The numerical control is maintained in a requisition log which adequately identifies the requisitions for reference purpose. The warehouse crew pulls the items requested noting quantities supplied in the "Furnished" column of the requisition. The warehouse foreman signs the requisition upon determination that it has been filled as requested. Should the material requested not be available, the requisition will be so notated and reasons will be provided to the extent possible for failures to fill the requisition as drawn. Failure to supply factory requests is an indicator of breakdowns in the material control system. A report must be submitted to the Business Manager advising of the inventory problem so that an investigation can be initiated to advise of the corrective action that needs to be taken to meet supply requirements and to avoid such problems in the future.

3. When a requisition has been filled the warehouse foreman advises the Factory Manager as to the availability of the materials requested. The Factory Manager or his delegate picks-up the material and signs the requisition noting that all items charged were received. The receiver is provided with one copy of the requisition. The Warehouse Manager transmits the material supplied data into APECS*, files one copy in his completed requisition file, and forwards the original and two copies to the Business Office.

4. Upon receipt for the FPI Form 49, the designated employee enters the dollar values for the requisitioned items and the accountant records the withdrawal on the Requisition Register. The original FPI Form 49 is filed numerically, a copy is placed in the applicable job file, and a copy is furnished to the requisitioning office. The Requisition Register shall be maintained for each factory and shall have columns for the date, requisition number, Account 13010, Raw Materials and Supplies, major or most recurring accounts (i.e., 14010 and/or 1605-), and a column for miscellaneous or infrequently used accounts. At the close of each month the register(s) shall be totaled, footed and verified. These figures shall be used to post Journal Entry 12 to the General Ledger.

5. Incidental materials and materials furnished to other locations are frequently requested in a format other than a FPI Form 49. In such instances, the Warehouse Manager will draw-up the requisition after consulting APECS* to assure that necessary stock levels are not jeopardized. The requested items are pulled and delivered. The Warehouse Manager will transmit the withdrawal information into APECS* and forward the original and two copies of the requisition to the Business Office. The Business Office can destroy two copies as the withdrawal does not relate to a production job and the Factory Manager advisory is not applicable unless it materially effects production stock

levels.

6. Withdrawal of rolls of steel, drums of paint, rolls of screening for signs etc. frequently provide sufficient material for many production jobs. In most instances it is not practical for warehouse personnel to issue these material items in the quantities required for a single job. In order to properly allocate costs to specific jobs the initial withdrawal is charged to Raw Materials and Supplies, Account 13020, Shop Stock, via journal entry 12. It is entered into APECS as a transfer of material from Raw Materials and Supplies, Account 13010, to Shop Stock using transaction T014.* Control of shop stock issues to production jobs becomes the responsibility of factory personnel. As materials in shop stock are needed, the factory foreman initiates a requisition, has it approved, and a factory control number is assigned by the Factory Manager. The Factory Manager retains one copy for his control file. The factory foreman then removes the needed stock noting quantity taken in the furnished column. The original and three copies are forwarded to the Warehouse Manager for assignment of a requisition number and transmission of data into APECS with transaction T023 or T022.* The Warehouse Manager retains one copy for his files and forwards the original and two copies to the Business Office where the standard recording process is accomplished.

7. Transfer of excess material from a completed job to a job-in-process on the production floor follows the same procedure as that for shop stock except for that the job is credited for the excess material than shop stock.

304. BAILMENT PROCEDURES

1. In the manufacture of certain UNICOR products some of the raw material may be furnished by the customers (bailment). When the bailment system is to be used, procedures for acquiring the bailment material will be spelled out in the purchase order and/or contract. Payment of freight for the material, either outgoing or incoming should be part of contact negotiations with the customer agency. If UNICOR is to be liable for freight, the estimated cost should be included in the unit cost statement and all pricing determinations. Even if the item to be produced is a standard UNICOR product, the use of bailment material requires that a revised unit cost statement be prepared recognizing the use of bailment material and the revised sales price.

2. Department of Defense Form 250 (DD250) will accompany any Government furnished material. This form should be carefully examined along with the material received. Preferably UNICOR's quality assurance inspection will be accomplished in the presence of a Quality Assurance Representative from DCAS. The basic format used for material received is the FPI Form 11 "Receiving Report" without unit price or total amount column showing values. The FPI Form 11 should be boldly stamped Government Furnished Material (GFM). The DD250 control number and the contract number should be recorded on the face of the FPI Form 11. Upon completion of the receiving and inspection process the material must be placed in a separate storage area restricted to bailment material.

3. All control of bailment material will be by units only. However the value of a unit, as established by contract, will be noted on UNICOR stock cards. (This value will be used to establish potential liabilities for excess use, loss, or diversion for other purposes).

4. When bailment material is used in manufacturing, it is charged to work in process by use of a FPI Form 49, Storeroom Requisition showing units only (No dollar values). Unit accountability will be maintained in work-in-process. Separate "MEMO" UNICOR stock cards must be maintained for each bailment item, or if using APECS,* unique part numbers will be established for the items by the Product Division prior to initiating jobs. Bills of Material including the bailment items will also be prepared when applicable.

5. When shipment of products containing bailment material is made, billing should be at the contract unit price, which should not include the value of bailment material. Account 12010, Accounts Receivable-Government, should be debited and Account 41010, Sales to Other Government Agencies, credited for the amount of the invoice via Journal Entry 22.

6. Since there will be a specific materials allowance per unit, accurate accountability must be maintained. When a known loss occurs, the cost, using the unit prices shown in the contract, should be immediately charged to an appropriate expense and credited to Account 27000, Accounts Payable Deferred. Upon completion of each contract, a physical inventory should be made and adjustments to Material Stock Control cards and Account 27000 made. If the job extends over a long term, interim physical inventories should be taken to verify current book balances. Any materials used in excess of the contract shall be charged to Account 27000..

7. The final settlement with the customer should reflect all credits due to him. At this time the total in Account 27000 for this contract should offset Account 12010, Accounts

Receivable-Government via Journal Entry 22.

8. New stock record cards should be created for each contract order or work order to be produced. When materials remain after completion of a contract they must be removed from accountability of the original contract. If the customer has agreed that they should be used on subsequent orders, they should be transferred to a new stock card, appropriately referencing how they were obtained. The material transferred to the new stock card will be shown (memo only) at the new contract bailment material value, not the value it was on the previous contract. Transportation expenses applicable to any unused material returned to the customer should be charged to the party designated in the original contract. With APECS, the same function is performed using unique part records and numbers.*

* Disregard if not yet on APECS

SECTION 8511

PAYROLL

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PART I

CIVILIAN PAY

100. GENERAL.

1. Civilian payroll is prepared by the Department of Justice, based on information given to them on Form DOJ-296, Time and Attendance Report. The Accounting Class and Organization Codes to be used to properly charge the payroll are shown in Appendix No. 1 of this section.

2. The Department of Justice Payroll section provides instructions for the maintenance of Time and Attendance Reports. Civilian time and attendance clerks shall be selected and notified in writing by the Superintendent of Industries at each UNICOR location. These clerks will be provided with the DOJ payroll instructions, "Procedural Instructions for the Time and Attendance Report". All time and attendance clerks have a responsibility to comply with the DOJ instructions and to accurately report the time and attendance of all civilian employees assigned in their area of responsibility.

101. INCENTIVE AWARDS TO CIVILIANS.

Bureau of Prisons Program Statement 3450.2 (date May 23, 1979) sets forth the policy for the Incentive Awards Program. This policy shall be applied for all employees of UNICOR.

102. STAFF HOUSE RENTAL DEDUCTIONS.

Any UNICOR employee occupying a BOP housing facility shall have the appropriate amount of rental expense deducted from his bi-weekly pay. (See BOP Program Statement 2300., Miscellaneous Business and Fiscal Management Manual, paragraph 17610 for initiation procedures.) The accountant at each location handling the Accounting Station Posting Media (ASPM) must debit the gross amount of each payroll to the applicable nominal and real accounts, and credit 03.31. House rental deductions shall be debited to 03.39 and credited to 70.11 Accounts Payable (see Journal Entry 9). These two entries must always equal the net amount of the ASPM. House rental deductions shall be remitted monthly to the BOP and reversed from 03.39 via JE 9.

PART II

INMATE PAY

200. DICTIONARY OF OCCUPATIONAL TITLES.

1. All job titles for preparation of FPI Form 82 (Job Grading Sheet - see Section 8540, Report, Forms and Records) shall be taken from the current edition of the Dictionary of Occupational Titles (DOT), Volume II, published by the United States Department of Labor. In all cases, the appropriate DOT code (9 digits) shall be reported along with the DOT job title. UNICOR's Industrial Employment Information System Manual lists DOT job titles and codes currently in use in UNICOR factories. UNICOR manual classifications provide a more readily available reference for common UNICOR job descriptions and should be used when appropriate.

2. Inmate pay is based on the grade of the job performed. The grade is determined and justified on FPI Form 82. The sheet is prepared by the civilian foreman who is directly responsible for proper performance of the job, subject to the approval of the factory or section (e.g., Quality Control) manager and the location's Superintendent. FPI Form 83 (Job Schedule--see Section 8540) is based upon FPI Form 82 information and provides data on production area skill (grade) needs. The FPI Form 83 is compiled by the factory or section manager, reviewed and approved by the location's Superintendent of Industries and Warden, and approved by the appropriate Corporate Staff Office (e.g., Corporate Quality Control) or Product Division Manager. Each location should submit an original and two copies of the FPI Form 83 supported by the FPI Form 82. The Corporate or Division Office will return the approved originals of the FPI Form 83 and a copy of the FPI Form 82 to the originating location, and will retain a copy for the working files.

3. The grading and scheduling of inmate jobs in areas assigned the Financial Management Branch (FMB) (business office and warehouse) are initiated by the Business Manager and reviewed and approved by the Superintendent of Industries and the Warden. Further FMB approval is not required; however, the Business Manager shall forward copies of the approved FPI Form 82 and 83 to the FMB for statistical information purposes only.

4. The FPI Forms 82 and 83 shall be filled out completely and checked to verify that the DOT titles and codes used are accurately recorded on both forms. When job titles and codes are grouped by department or section, subtotals for those units must be shown. Changes in job titles and codes, grade structure, or the number of inmates required, must be submitted as a revised

FPI Form 82 and 83. Revised forms should be processed in the same manner as the original FPI Form 82 and 83. When temporary or emergency situations require, the total authorized complement may be exceeded by 10 percent without referral to the Division Manager.

201. PIECE RATES.

FPI Form 57, Labor Estimates/Time Study, shall be used to establish and support piece rates. Once the rates are established they shall be scheduled on FPI Form 58, Schedule of Labor Rates, and considered effective after approval by the Warden. (See UNICOR Cost Accounting Manual, paragraphs 303-304.)

202. INDIVIDUAL PIECE RATE WORKERS.

Two factors determine the amount of payment made to individual piece rate workers. The first is the number of units produced by the individual piece rate worker. The second is the rate of pay for each unit.

Example: During a specific month, a piece rate worker produces 1,440 units with a predetermined piece rate of eight cents per unit. The inmate worker's monthly pay would be $115.20. Assuming that the inmate put in 150 working hours, his/her rate of pay per hour would be approximately 77 cents an hour.

While the hours worked are not necessary for determining an inmate's monthly pay check, those hours must be maintained for other payroll and control purposes. The number of hours provides a basis for review and analysis of the reasonableness of the current individual piece rate formula compared with estimates or standards.

ALL UNICOR jobs under comparable pay systems with comparable grade assignments shall provide approximately the same compensation to inmates. The particular Division or factory involved should not be a determining factor in the payment rate made for comparable work.

203. WAGE FUND -- GROUP PIECE WORKERS.

The amount of the available "wage fund" is determined by multiplying the units of production completed by the group by the applicable rate or rates. The hours actually worked in the 1st, 2nd, and 3rd grade jobs shall be increased by 150%, 100%, and 50% respectively and then added to the hours worked in 4th grade jobs to determine basic hours. The total wage fund shall be divided by basic hours to determine the hourly rate for 4th grade jobs. Rates for other grade jobs shall be determined by increasing the 4th grade rate by the same percentages identified above. All decimals beyond the fourth place are dropped and any remaining balance is added to the wage fund for the next period.

Example: A group of workers on the plan produce 840 units during the month in 13,000 hours. The rate established through time study or estimate using the FPI Forms 57 and 58 is $10 per unit. The wage fund for the month is $8,400 (840 units times 10). Hours worked were: 1st grade - 2,000 hours; 2nd grade - 3,000 hours; 3rd grade - 2,000 hours; 4th grade - 6,000 hours. Pay rates are determined as follows:

STEP 1:

Job Grade	Actual Hours Worked (see ex.)		% Added to Actual Hours to Compute Basic Hours
1st	(2,000)	+	150% (3,000) = (5,000)
2nd	(3,000)	+	100% (3,000) = (6,000)
3rd	(2,000)	+	50% (1,000) = (3,000)
4th	(6,000)	+	None (0,000) = (6,000)
Total:	(13,000)		(20,000)

STEP 2:

4th grade rate = total wage fund divided by basic hours - In above example, this is $8,400 divided by 20,000 basic hours = .42 (42) as 4th grade rate.

STEP 3:

Job Grade	Hourly Rate/Group Worker (see example)
1st	4th grade rate plus 150% (.42 + 150% of .42 = .42 + .63 = $1.05)
2nd	4th grade rate plus 100% (.42 + 100% of .42 = .42 + .42 = $0.84)
3rd	4th grade rate plus 50% (.42 + 50% of .42 = .42 + .21 = $0.63)
4th	4th grade rate plus 0% (.42 + 0% of .42 = .42 + .00 = $0.42)]

1. If sufficient work is not available to provide individual and group piece workers hourly earnings equal to basic hourly rates, the Superintendent of Industries, through the Warden, may request authority from the Associate Commissioner, Federal Prison Industries to change from the group piece plan to an hourly pay plan.

2. The wage fund may not be subsidized to bring wages up to the basic hourly rate if sufficient work is available even though individual and group piece workers hourly earnings are less than hourly workers in the same grade.

204. LIMITATION OF INCENTIVE PAY PLANS.

The specific hourly rates shall be published in an annual Operations Memorandum on Inmate Industrial Pay Rates. The Chief Executive Officer is authorized to set the incentive piece rates, based upon the Superintendent of Industries' and the appropriate Product Division Manager's recommendations. Piece rates should approximate the standard hourly rate. Actual rates of pay will vary depending on the skills of an individual but ordinarily are limited to no more than 20% above the standard rate.

The reverse side of the monthly FPI Form 2 is to be used to explain reasons incentive rates exceed the published maximums in any given month. The explanation shall include the number of inmates receiving wages in excess of 120% of standard pay, the effective hourly rate of pay, and the reasons for approval.

Pay rates exceeding 120% of the corresponding standard rates in excess of three consecutive months require the approval of both the Warden and Product Division Manager. In making this determination, the following should be considered:

1. Is there a low percentage of workers entitled to a wage in excess of 120% of regular hourly rates? If yes, this may be sufficient justification for a temporary exception to the 120% limitation. If most workers are entitled to this increased wage, consideration should be given to adjusting the established piece rate.

2. Is there an increase in required productivity because of a sudden, significant increase in product demand or critical inmate shortages? If yes, this would justify a temporary exception to the 120% limitation. Example: Machine speed is increased beyond established norm during a period of low employment or high demand.

The Warden and Product Division Manager shall indicate in writing either their approval or denial of the request and the justification for this action. If approved, the effective hourly rate, and the time period of approval (may not exceed three additional consecutive months) shall be given.

Any decision to allow compensation in excess of 120% of the regular wage shall be considered temporary and is to be reviewed every three months by the Product Division Manager and the Warden. Payment of inmate incentive wages above the published maximum is not intended to last indefinitely.

205. OVERTIME COMPENSATION.

An inmate is entitled to overtime pay at a rate of 2 times the hourly or units rate for hourly, individual, and group piece workers when the total hours worked (includes administrative pay) exceed the industrial operation's regularly scheduled workday.

Example: An industrial operation has a scheduled workday of 7.5 hours. The inmate's regularly scheduled workday consists of 5 hours. If the inmate works 10 hours, the inmate has earned 2.5 hours of overtime pay (hours worked by the inmate minus the industrial operation's regularly scheduled workday). Note: The 10 hours do not need to be continuous. The inmate, within the same workday, could have worked 2 shifts of 5 hours each.

1. Hours worked on days outside of the scheduled workweek (i.e., Saturday) shall be compensated at the overtime rate.

2. For individual piece workers, overtime earnings are determined by the amount of total piece work earnings for the day divided by the total number of hours worked that day. This rate is then doubled and multiplied by the number of hours worked during the overtime period to get the total overtime wages. The premium portion of overtime is equal to one half the total overtime wage.

Example: Assume a scheduled workday of 7 hours in this example. Piece worker works 10 hours (3 hours overtime) completing 70 units at .10 per unit. Overtime wages would be determined as follows:

Step 1:

Total Units (70) x Rate Per Unit (.10) / Number of Hours Worked (10)	=	Average Hourly Rate (.70)

Step 2:

Average Hourly Wage (.70) x Overtime Factor (2)	=	Overtime Hourly Rate ($1.40)

Step 3:

Overtime Hourly Rate ($1.40) x Number of Hours worked (3)	=	Overtime Pay ($4.20)

An inmate worker on a standard pay plan during the regular workday who works overtime under an individual incentive pay plan shall receive piece work earnings plus the standard hourly wage for the job being worked on overtime status.

3. Overtime for workers in the group piece plan is added to the wage fund after computation of the base rate for each grade. This is to ensure that the amount of overtime paid to one individual will not in any way affect the basic hourly rate of the other workers.

4. Overtime paid for production work shall be charged to direct labor, excluding premium portion, unless the customer order was acknowledged as a production expense at the time of order acceptance. In this case, the overtime plans premium portion may be charged as direct labor.

206. LONGEVITY PAY.

An inmate earns an additional hourly pay allowance for longevity of UNICOR work service as specified below. For the purpose of longevity pay, a month includes any part of a month in which an inmate is in UNICOR work status.

Length of Service	Longevity Pay Per Hour
18 months	10 cents
30 months	15 cents
42 months	20 cents
60 months	25 cents
84 months	30 cents

Example: An inmate with length of service of 19 months and earning $1.00 per hour. Overtime pay for this inmate would be computed as follows: 1.5 times the hourly rate (1.5 x $1.00 = $1.50), then add the ten cents longevity pay for a total wage of $1.60 per hour.

Longevity pay is classified as indirect pay and may not come out of a wage fund. This pay shall be changed to Indirect Inmate Labor - Other, sub-account 153.xxx.

207. VACATION PAY.

1. Vacation credit earned per month is determined by whether the inmate is a full-time or part-time worker and the number of months service the inmate has achieved in UNICOR work status.

	First Year	Subsequent Years
Full-time	1/2 day per month	1 day per month
Part-time	1/4 day per month	1/2 day per month

Vacation credit shall be computed each month and annotated on the reverse side of the Inmate Assignment Card, FPI Form 20, or other subsidiary payroll form as appropriate to each location.

2. When the inmate takes and/or is paid for earned vacation, the total hours involved are multiplied by the inmate's regular hourly rate of compensation, including longevity pay, to arrive at the compensation payable.

3. Vacation pay is classified as indirect pay and may not come out of any wage funds. Actual pay shall be at the standard hourly rate, plus longevity pay where applicable, for the grade the inmate holds when the vacation is taken. Vacation pay is charged to Inmate Indirect Labor, sub-account 153.xxx.

208. INMATE ACCIDENT COMPENSATION.

In addition to Title 28 of the Code of Federal Regulations (28 CFR), information on the Inmate Accident Compensation Program is contained in the booklet "Inmate Accident Compensation Procedures" given new inmates upon arrival at the institution, and in the Program Statement, Occupational Safety and Environmental Health Manual.

1. Lost-time wages paid to inmates for the period during which they are medical idle, hospitalized, or confined to quarters due to work-related injuries are charged to sub-account 182.xxx, Accident Compensation - Inmate, of the applicable real or nominal account. These expenses shall be charged to the applicable operation and not to Other Expense Control. This procedure does not apply to Inmate Performance Pay made under provision of 18 U.S.C. 4126.

2. To maintain a positive control over payment of lost-time wages to inmates transferred to a medical referral center for treatment of a work-related injury, the following actions shall be taken:

a. Continue to accrue the inmate lost-time wages on the payroll.

b. Before initiating a check for the inmate, determine monthly, through telephonic or written communication, from the Medical Director at the medical referral center that the inmate is still receiving treatment for the work-related injury.

209. POST-RELEASE INMATE ACCIDENT COMPENSATION.

1. FMB shall expense any post-release definite or indefinite award of inmate accident compensation made as a result of a work-related injury during the month in which the award is determined.

2. Definite awards are a fixed amount and paid in a lump sum. The total award shall be established in Account 24000, Accrued Expenses and expensed to Account 65182.xxx, Other Expense, Accident Compensation. Payable individual subsidiary records for each award will be maintained, as necessary. Expenses shall be transferred to the division responsible for the award quarterly.

3. Indefinite awards are specific monthly awards made up for an indefinite period. The FMB shall pay the charges monthly as authorized by BOP charging Account 65182.xxx.

210. FUNDS DUE DECEASED INMATES.

If the inmate should die with such monies owed to him or her from the United States, payment thereof is not authorized except to a legal representative of the estate or in accordance with the laws of descent and distribution of the state of domicile, there being no federal statue applicable thereto. Such claims will be settled when presented by a legal representative of the estate, or by relatives of the deceased inmate, showing their relationship and other necessary proof that such arrears of compensation are properly payable to them. The Field Office shall settle claims in accordance with CGD A-44008, August 26, 1933, and 4 GAO 3500.

211. PREPARATION OF INMATE INDUSTRIAL PAYROLL

1. General. Wages earned by inmates shall be computed by Business Office personnel monthly and forwarded to the Commissary Supervisor not later than the sixth working day of each month following the month in which earned. Such funds may be disbursed only in accordance with the rules of the institution.

2. Procedure. FPI Form 40 (Inmate Daily Work Report), FPI Form 40a (Inmate Daily Piece Rate Report), and the official door checksheet, or other basic time report, approved by each factory constitute the daily record of each inmate's time. Several forms and methods of accumulating labor data are used due to the diversification of factories in UNICOR.

a. Civilian supervisors are responsible for completion and submission of daily time and attendance data. Business Office personnel shall post daily time and attendance data to FPI Form and post the daily time ticket information to Summary Report forms: FPI Form 21 (Monthly Time Sheet) for FPI Form 38 (Monthly Payroll Card). Inmate work time identified as direct labor on monthly time sheets must be posted to the FPI Form 9 (Product Order and Cost Sheet) by Business Office personnel, thereby tying in payroll financial data with UNICOR's Cost System. If the labor is departmentalized, separate monthly

time sheets should be maintained by departments. If at any time a worker is assigned to another department, the office in charge shall report the transfer.

b. After the monthly time sheets or payroll cards have been verified, Business Office personnel shall prepare FPI Forms 41 and 41b (Inmates' Payroll) with three copies of FPI Forms 41-Special and 41b-Special. FPI Forms 41 and 41b constitute the inmate payroll voucher. Payrolls shall show:

(1) The name and register number of the inmate.

(2) The gross amount earned during the period indicated.

(3) The amount of earnings credited to the personal account of the inmate.

c. The certifying officer shall sign the original and commissary copy of FPI Forms 41 and 41b. When certified, the original copy of the payroll will be included in the voucher packet. A staff member shall hand carry the second copy of the payroll voucher (memorandum payroll) to the commissary clerk (bookkeeper). It shall constitute his/her authority to debit and credit the individual inmate's personal accounts with the amounts indicated in the voucher.

3. Final Salary Check. Bureau policy, which UNICOR follows, is to have commissary pay inmates the funds due them when they leave the institution, in the form of cash or a check to be given to them, or forwarded immediately so inmates can receive it at their destination. It is, therefore, necessary to determine the amount of wages due the inmate for the current month. This determination shall be furnished upon request of institutional officials by noon of the day prior to the departure day. This shall be in writing, signed by the Business Manager showing the amount of the industrial earnings for the current month to the date of release.

It is also essential that there be no difference between the amount thus determined and the final amount of compensation. Inmates working on an hourly or individual piece work basis present no problem. Group piece workers are paid the standard hourly rate for the grade. The standard hourly rate will be applied to the total hours working with applicable longevity and overtime premium pay added to the total thus determined. The total of such advance standard hourly pay to released group piece workers shall be deducted, exclusive of longevity and overtime premium pay, both as to hours and money, from the group piece wage fund for the month. This will ensure that the amount of the predetermination will be the amount actually included in the payroll as compensation paid to the released inmate.

APPENDIX 1

ACCOUNTING CLASS CODES

JUNIPER ORGANIZATION CODES

UNICOR has established an accounting code consisting of nine position or numbers for payrolling cost coding purposes. This code will be used in addition to the coding required for the Juniper personnel system. Both sets of codes are the same except for pre and post numbers. This makes both sets of numbers compatible and helps eliminate coding errors. The following paragraphs explain the usages of both of these systems.

Organization Codes	Accounting Class Codes		
Not Used	Position No.	1--	This position shows the current fiscal year. The outline is marked X but the last number of the current fiscal year will be used for coding purposes. Example: Show 4 for FY 1984. The computer will automatically update this number at the beginning of each fiscal year.
Not Used	Position No.	2--	This position shows the appropriation of fund: Federal Prison Industries has been assigned 7 for our 15x4500 fund.
Position No. 1	Position No.	3.--	This position shows our agency number which is 4.
Positions No. 2 and 3	Positions No. 4 and 5	--	These positions show the geographical factory and VT locations. The Organization Code will always show actual location. In some situations the Accounting Class Code (Positions 4 and 5) may be used to reflect the servicing business office of a state satellite VT operation.
Positions No. 4 and 5	Positions No. No. 6 and 7	--	These positions show the functions to which various employees are assigned. Central Office has the numbers from 01 through 10 and

field location numbers start at 11. For example--any employee in field manufacturing will be in code 11; field administrative employees will be in code 12, etc. See page 4 for a complete listing of the appropriate classifications.

Organization Codes	Accounting Class Codes		
Positions No. 6 and 7	Positions No. 8 and 9	--	These positions show the further break-down of the functions, the Accounting Class Codes and positions 4 and 5 of the Organization Codes. Currently, we breakout some Central Office positions, satellite VT and all manufacturing positions. Those locations with satellite VT will put in the satellite code as shown on Page 6 of Appendix. (This will always be different from location code.) Manufacturing positions will be broken into type of factory as shown on Page 5 of this Appendix. In all other cases, these positions should be zeros.
Positions No. 8, 9, and 10	Not Used	--	Always Zero

ACCOUNTING CLASS CODES

Positions 3, 4 and 5

ORGANIZATION CODES

Positions 1, 2 and 3

401	Central Office
402	Alderson
430	Allenwood
403	Ashland
404	Atlanta
405	Danbury
406	Eglin
407	El Reno
408	Englewood
409	Florence
429	Fort Worth
410	La Tuna
411	Leavenworth
412	Lewisburg
413	Lompoc
414	Marion
416	Milan
417	Montgomery
418	Morgantown
419	New York
420	Peterburg
421	Safford
422	Sandstone
423	Seagoville
424	Sprinfield
425	Tallahassee
426	Terminal Island
427	Terren Haute
428	Texarkana
432	Oxford
433	Pleasanton
434	Lexington
442	Miami
443	Butner
444	Chicago
445	Memphis
446	Bastrop
447	Talladega
448	Big Spring
449	Boron
450	Otisville
451	Ray Brook
452	Deluth
453	Phoenix

ACCOUNTING CLASS CODES

Positions 6 and 7

CENTRAL OFFICE

01 Corporate Management Group (including Associate Commissioners Office, Plans Policy Division)
21 Vocational Training

PRODUCT DIVISIONS

03 Electronics Division
04 Data/Graphics Division
05 Metal/Wood/Plastic Division
06 Textile and Leather Products Division
09 Assistant Superintendent

SUPPORT DIVISIONS

02 Information Systems
07 Resources Division
08 Industrial Design
15 Quality Assurance
18 Marketing
19 Training

FIELD

11 Manufacturing
12 Business Office
13 Warehouse
14 Engineering and Maintenance
15 Counselling
15 Quality Assurance
17 Construction

21 Vocational Training

ACCOUNTING CLASS CODES

Positions 8 and 9

ORGANIZATION CODES

Positions 6 and 7

CORPORATE MANAGEMENT

01 Plans and Policy Division
02 Training
03 Corporate Support
04 Auditing
05 Inmate Programs

DIVISION MANAGEMENT

48 Prototype

MANUFACTURING

01 Brooms
03 Brush
05 Cable, Electronic
06 Equipment, Electronic
07 Canvas, Specialty
09 Clothing
10 Parachute
13 Dairy
15 Data, Keypunch
16 Microfilm
17 Furniture Factory
19 Furniture Refinishing
20 Upholstery
21 Glove
23 Machine, Die & Tool
25 Mattress
27 Metal Factory
31 Plastics
33 Print Plant
34 Drafting
35 Shoe Factory
37 Sign Shop
39 Textile Mill, Cotton
43 Woolen Mill
45 Basket
47 Automotive Repair
48 Vehicle Component Remanufacturing Shop

ACCOUNTING CLASS AND ORGANIZATION CODES

ILLUSTRATION 1

SECTION 8513

TRAVEL AND TRANSPORTATION

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ILLUSTRATION TITLE

1 TRANSPORTATION RESERVE REGISTER 6

100. TRAVEL

Official travel for UNICOR shall be in accordance with the following travel regulations: GSA Regulation FPMR 101-7 dated 11/1/81; Bureau of Prisons Policy Statements; and General Accounting Office Policy and Procedures Manual, Title 5.

For guidance and specific procedures for temporary travel, employees shall us the Bureau of Prisons Program Statement 2200.1, Travel Regulations, dated 11-1-84. It consists of a reprint of all four chapters of the General Services Administrations's (GSA) Federal Travel Regulations (FTR) printed on white paper, Department of Justice (DOJ) Order 2200 on Temporary Duty Travel printed on green paper, Federal Prison System Program Statement supplementing DOJ Order 2200 on Temporary Duty Travel, and Federal Prison System Program Statement supplementing GSA's FTR on relocation allowances printed on blue paper. If additional assistance is required, the Business Office shall be contacted for clarification. In the event that the Business Office cannot provide the required assistance, the Business Office shall contact the Resources Division for resolution.

When official travel is by common carrier, transportation will be secured by currently authorized means. Authorized travel agencies/representatives, contact relocation firms, government sponsored credit cards and other such means will be used when required by Bureau of Prisons policy. In addition, a supply of Government Transportation Requests (GTR) will be maintained individually or by books by field offices in the event there is a policy change or an unusual circumstance which requires the authorized use of GTR's. Books or blocks of GTR's may be ordered from the Bureau of Prisons' Business Office of the local institution.

101. TRAVEL AUTHORIZATIONS

All travel performed by UNICOR personnel shall be authorized in advance by an official to whom such authority has been delegated. The authorization shall ordinarily be issued prior to the incurrence of travel expenses, and shall be as specific as possible as to the dates and locations involved, mode of transportation to be utilized, purpose or objectives, rate(s) of subsistence, and other pertinent circumstances or limitations applicable to the travel to be performed.

1. Travel Form BOP Administrative Form 64, Travel Authorization, is the official form which shall be used to authorize travel.

2. Authorization or Travel. Authorizing officials shall be cognizant of the specific requirements and determinations which must be made in authorizing travel. The failure of authorizing officials

to limit travel to that which is absolutely essential to the accomplishment of the objectives of UNICOR programs constitutes inefficient management of travel and a waste of UNICOR resources.

a. Field Locations. The Chief Executive Officer of each institution is the only official authorized to approve travel at their respective institution (except for their own travel), in accordance with BOP Travel Regulations, P.S. 2200.1, paragraph 1-1.4b (1) and (2). In addition, "this authority shall not be redelegated except to persons in the position of acting for an authorizing official."

b. Central Office. All Central Offices staff travel will be authorized by the Associate Commissioner or his designee. This includes both travel of UNICOR staff and the Education and Vocational Training staff.

3. Travel Authorization Number. Upon authorization by the appropriate official listed above, the travel authorization shall be forwarded to the Business Office for a travel authorization number. This control number shall be assigned by the Business Manager after he has satisfied himself as to the correctness of the following:

a. Dates, location and mode of transportation.
b. Authorization of the appropriate official listed above.
c. Estimated costs of the travel assignment.
d. Account classification code (object class, general ledger accounts and factory).

The authorization number is a five digit numerical figure; i.e., 2-1234. The "2" represents the fiscal year and "1234" represents the unique identifying number for that trip. This number is entered in a log along with the traveler's name.

4. Routing. Upon assigning a number, the Business Manager will initial the Travel Authorization and distribute the authorization as follows:

a. Original and one copy is returned to the traveler.
b. A copy is retained and filed numerically in the Business Office.
c. The final copy is routed to the accountant.

102. TRAVEL VOUCHERS

Upon completion of the trip, a travel voucher shall be submitted, audited and prepared for payment as outlined in Section 8514, Vouchering, and also as described in paragraph 100 of this section. Travel advances shall be settled at this time by deducting the amount of the advance from the voucher, clearing the advance from the Collection Bill Register by

referencing the voucher and schedule number, and entering a Journal Entry

9. Authorized expenditures that exceed the travel advance for the trip shall be scheduled for reimbursement and excess travel advance shall be collected at this time.

103. ACCRUED TRAVEL EXPENSES

At the close of each month accountants shall review all Travel Authorizations in the open travel file. If the date indicated on the authorization for which the travel to be taken has passed, the accountant should determine if travel was actually performed. If the trip was postponed or cancelled, the accountant should so indicate this on the authorization and file it in the closed travel file. If however, travel was performed but no voucher has been submitted, the accountant shall enter a Journal Entry 10 to accrue the unvouchered expenditure at month end, and at the beginning of the next month enter Journal Entry 11 to reverse the accrual.

104. TRANSPORTATION OF THINGS

1. General. FPI Form 8 (Shipping Order) is used to authorize shipment of finished goods, materials, supplies, machinery, equipment, as well as, to provide a definite control and record of all shipments. The Transportation Officer will utilize the most advantageous and economical method of shipment; namely freight, parcel post, express, etc.

2. U.S. Government Bill of Lading (GBL), S.F. 1103. The customer ordinarily furnishes a GBL to cover shipment of items ordered. Indicate the most economical and direct route when completing GBL'S furnished by customers unless a specific routing is already shown or is included in the shipping instructions.

When it is necessary to change the routing given by the customer on the GBL, contact the issuing office for authorization. Show on the GBL the name of the person authorizing the change and date of change.

When the customer provides no GBL but specifies that UNICOR is to issue a GBL chargeable to their appropriation, follow their instructions for shipping or contact the customer/issuing office and advise them of the alternate solution identified for their authorization.

UNICOR will furnish GBL's for all GSA shipments, consolidating orders to the maximum extent possible. Prior to shipment, the UNICOR facility making shipment will contact the Transportation Service Division (TSD) in the appropriate GSA Regional Office (phone number on Purchase Order) for carrier, rate and routing information. The TSD will provide this information telephonically (if requested) or by furnishing a copy of the GSA Form 420.

UNICOR civilian personnel will complete the GBL in accordance with the instructions provided by the TSD. The Serial Number furnished by the TSD must be shown in the "Route Order/Release No. 2" block in the upper right hand side of the GBL. UNICOR will provide a Memorandum copy of the GBL to the TSD furnishing the rate/routing information.

When utilizing GBL's for the transportation of things for UNICOR (rather than for customers), particular care should be exercised to see that each GBL bears the proper fund symbol (15X4500), as well as indicating thereon that billing is to be made to UNICOR, Federal Prison Industries Inc.,(Location). Do not include Department of Justice or the name of the institution.

Prepare and use all GBL's as set forth in General Accounting Office Policy and Procedures Manual, Title 5. Freight and express shall not be prepaid and added on the invoice as a separate item unless specifically authorized by the Product Division Office.

Common carriers should be contacted concerning reduced (or special) rates as permitted by 49 U.S.C. 22 (Transportation Act of 1940) to cover large shipments or repetitive shipments between two locations.

105. TRANSPORTATION OF PEOPLE

1. Transportation for official travel will be secured in accordance with current required BOP policy.

a. When government sponsored credit cards are issued for use in connection with official travel, it is up to the individuals assigned the responsibility for the card(s) to assure it is used for official business only. Personal use of these cards is strictly prohibited. They may be used, when authorized, to secure transportation for official travel, to pay for lodging, meals, authorized car rentals, and other such authorized expenses.

b. Travel arrangements should be made through the authorized travel service/agency for those locations for which BOP has a contract agency for that purpose. These contracts travel services will provide the lowest cost rates for transportation based on current negotiated government rates. These services require a Travel Authorization Number before they can secure a confirmed reservation and ticket for the traveler.

c. A Government Transportation Request (GTR) will be used when other means, such as government sponsored credit cards, are not required or under usual circumstances when authorized by an appropriate official.

2. If employees are traveling on official business for UNICOR by common carrier with a Government Transportation Request (GTR), the GTR shall only be issued when the traveler presents an authorized and

numbered travel authorization to the individual designated in the Business Office as the GTR custodian. GTR's are accountable forms and must be maintained in a secure location.

a. The GTR shall be prepared by the GTR custodian, or by the traveler, and shall reference the travel authorization number and accounting classification code.

b. The GTR shall be routed as follows:

1) The blue copy (Original) shall be given by the traveler to the carrier in return for a ticket. This copy will later be returned to UNICOR by the carrier when the carrier presents an invoice for payment.

2) The buff copy shall be used to record the GTR in the Transportation Reserve Register. It shall then be given to the traveler who will return it to the Business Office when he submits his travel expenses for reimbursement on a SF-1012, Travel Voucher.

106. TRANSPORTATION RESERVE REGISTER

Record all GTR's and GBL's issued and/or spoiled on the FPI Form 77, Transportation Reserve Register. In addition to being used for necessary accounting detail for estimated travel and transportation charges, it shall serve as an accountability record. Maintain a numerical file for Memorandum copies of all GTR's and GBL's issued in conjunction with the register. GBL's furnished by customers and chargeable to their appropriation shall be included in the register for accountability purposes. File the Memorandum copy of the GBL with the customer's order. The original of any GBL's and GTR's that are spoiled shall be boldly marked cancelled, stapled to the Memorandum copy, and placed in the numerical file. Voided GBL or GTR numbers will be recorded numerically in the Transportation Reserve Register and noted as void. (See Illustration 1.)

Each Business Office shall maintain one Transportation Reserve Register. As soon as the estimated transportation charges have been determined, enter the amount in the credit column of the FPI Form 77 for each GTR and GBL issued and show the account number to be debited in the column provided for that purpose. When GBL's are issued to suppliers, make only an accountability entry in the proper sequence of bill of lading numbers and then reenter it in the month in which the estimated liability accrues, based on information that the carrier has accepted the shipment.

On original accountability entry, reference the month that the estimated charges were entered. An extra debit column has been provided to be used only if the volume in any one factory or account justifies its use. Make a summary of all new GTR and GBL postings from the register at the end of the month. Record such summary on the register immediately following the

monthly totals and use this summary as the basis for the month-end Journal Entry 7 debiting the appropriate expense account(s) or fixed asset account and crediting Account 23000, Transportation Expense Paid.

Illustration 1

Transportation Reserve Register, FPI Form 77

As transportation bills are passed for payment, record the voucher and schedule number and the month and year certified on the applicable line of the FPI Form 77 in the paid column so that the sum of the open items for any factory will equal the balance in Transportation Expense Payable, Account 23000 for each factory. Bills of lading issued by other Government agencies that will result in charges properly payable by the consignee industry shall also be entered on the Transportation Reserve Register at the time the consignee's certificate of delivery is executed.

Efforts shall be made to obtain billings for open GBL's or GTR's (see Section 8514, Vouchering). Items recorded on the Transportation Reserve Register for which a billing was not received within two years from date of issue shall be cleared by Journal Entry 7a to 74000, Other Income. A cross-reference shall be made in the paid column opposite the item being cleared.

107. PENALTY MAIL

Field Offices shall be advised at the beginning of each fiscal year of the amount of postage to be accrued on their monthly Journal Entry 10 during the fiscal year. A transfer via FPI Form 5 for the accrual shall be made to Resources Division quarterly by use of Journal Entry 1.

Upon receipt in the Resources Division, the accrual shall be received via Journal Entry 1. The U.S. Postal Service bills Resources Division quarterly through the SIBAC System and this billing is posted via Journal Entry 9.

108. INTERNAL CONTROL OF GTR's AND GBL's

1. GTR's.

a. Accountability and Responsibility.

GTR's are accountable documents. One accountant at each location shall be designated as responsible for the safekeeping and the issuing of GTR's. All unissued GTR's must be stored in a fireproof safe. The responsible accountant shall issue one GTR to a traveler upon presentation of a properly prepared and authorized travel authorization. At the time of issuance the responsible accountant shall record the GTR number, the traveler's name, and the date of issuance. As the subsequent travel vouchers came through the accounting office the GTR number on the voucher shall be compared to the list of issued GTR's. Any discrepancies shall be investigated and resolved by the accountant who issued the GTR. In addition,

the accountant issuing the GTR shall periodically review the list of issued GTR's to ascertain that the GTR's are being used as authorized and reported on a travel voucher in a timely manner. The designated accountant may be held responsible for the amounts the Government is required to pay because of loss of GTR's resulting from his fault or negligence. Lost or stolen GTR's should be reported promptly in writing to the FPI Controller. The Controller will notify GSA.

b. Requirements to Stock GTR's.

Those locations using less than one book of GTR's every six months should not stock them. Those controls described above (a) should be avoided where there is low usage of GTR's. Those locations should obtain the GTR's as needed from he institution Business Office.

2. GBL's.

a. GBL's Issued From Within UNICOR.

GBL's are accountable documents. One accountant at each location shall be designated as responsible for the safekeeping and issuing of GBL's. All unissued GBL's, along with the copy of the Letter of Acknowledgement, shall be stored in a fireproof safe. On a weekly basis the responsible accountant shall determine the number of GBL's to be issued to the individual that prepares the GBL's. Once the appropriate number is determined, the accountant shall record the GBL numbers in a handwritten log and then issue the corresponding GBL's. The accountant must then check off each GBL from the log as the GBL's are used and forwarded through the accounting office for his verification and signature. The responsible accountant must ascertain that each issued GBL has been used as intended and and that it has been used within a timely period. As an added precaution the handwritten log shall be reconciled to the Transportation Reserve Register, FPI Form 77, monthly.

All GBL's shall be secured at the end of each work day to insure proper control. If the GBL cannot be secured in the assigned work area, the unused forms shall be given to the staff accountant for security.

Only the GTR issuing accountant or the GBL custodian may void a GBL. Any such voided GBL must be returned to the accounting office for action and filing by the responsible accountant.

b. GBL's Issued By The Customer

When a customer supplies UNICOR with a GBL, it must be secured in a fireproof safe immediately upon receipt. the customer's GBL number, including a brief note such as "customer's GBL in safe" should be noted on the face of the customer's order to alert the shipping officer or clerk that a GBL has been furnished by the customer. In addition, the GBL number shall be acknowledged on FPI Form 52, Order Acknowledgement.

NOTE: In order to avoid duplicate payments all vouchers must be stamped "PAID" by the certifying officer immediately after he signs the disbursement schedule.

SECTION 8514

VOUCHERING

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VOUCHERING

100. INTRODUCTION

Vouchering is the process used to document each UNICOR payment. (See Exhibit 1). This process is highly vulnerable to fraud and abuse and must be carried out with great care and attention. It involves verification activity that will assure that each proposed payment is: (1) presented in a timely manner, (2) legal, (3) proper in all aspects, and (4) completely accurate. The required documents which initiate the vouchering process are the request for purchase, the purchase order, the receiving report and the invoice. Except for recurring, travel and transportation, payroll, of Bureau of Prisons payments, all of these documents must be present before the voucher document, "Control Voucher for Purchases and Services other than Personal." (FPI Form 1034), may be drawn and approved. To verify the accuracy, legality and propriety of the voucher the following determinations must be made:

1. Whether the required administrative authorizations for the procurement and approvals for payment were obtained.

2. Whether the payment is permitted by law and is in accordance with the terms of the applicable agreement.

3. Whether the name of the payee is correct.

4. Assurance that the payment will not be a duplicate.

5. Whether the goods received or the services performed were in accordance with the agreement.

6. Whether the quantities, prices, and amounts are accurate.

7. Whether all cash, trade, quantity, or other discounts have been taken, and, if not, whether the reason is justifiable for wise cash management. See paragraph 109.

8. Whether all applicable deductions were made in the correct amount.

9. Whether proper forms of documentation were used and whether special certificates, if required, were furnished.

101. INTERNAL CONTROL

It should be recognized that the vouchering process provides an opportunity

for fraud or waste of UNICOR funds. Therefore, effective internal controls must be included in the development of vouchering procedures. Segregation of duties and review of documentation for propriety and accuracy facilitates effective internal controls and include such features as:

EXHIBIT 1

The Vouchering Process

1. Warehouses or receiving personnel performing their duties independently of procurement and accounting personnel.

2. Accounting personnel performing their duties independently of procurement and warehouse personnel.

3. Incoming invoices being routed directly to accounting personnel.

4. Specific requirement concerning accumulation of documentary support before a transaction can be liquidated through the disbursement of funds; i.e., purchases request, purchase orders, receiving reports, invoices, etc.

5. Multiple review requirements to insure accuracy and propriety of proposed payment.

6. Disbursement personnel operating independently of procurement, receiving and accounting personnel.

The less separation of duties and documentary review that are built into the system, the greater the chance for misappropriation or waste of UNICOR funds. While an ideal internal control system may not be achievable at all locations, every effort should be made to establish the best system possible at each location.

Receiving procedures are discussed in Section 8509 "Inventory" of this chapter. Other elements of vouchering are discussed in this chapter. The General Accounting Office's Policy and Procedures Manual, Titles 5 and 7 provide additional guidance material. See Exhibit 1 for a flowchart of responsibilities and procedures involved in the vouchering process.

102. TYPES OF VOUCHERS

The following is a list of the types of vouchers processed by UNICOR Business Offices.

1. Control Voucher for Purchases and Services other than Personal (FPI Form 1034_. This voucher is used as support for payments for goods or services scheduled on the following:

a. Standard Form 1166 (SF-1166) Vouchers and Schedule of Payments.

b. Standard Form 1081, Schedule of Interagency Withdraws and Credits.

c. Standard Level User Charge (SLUC).

d. Simplified Interagency Billing, Collection System (SIBAC), (OPAC) On-Line Payment and Collection System.

2. Standard Form 1012, Travel Voucher. This voucher supports claims for reimbursement of employee travel expenses and is scheduled on an SF-1166.

3. Transportation Vouchers. Standard Form 1113, Public Voucher for Transportation Charges, and Standard Form 1171, Public Voucher for Transportation of Passengers. These vouchers are scheduled on an SF-1166.

4. Civilian Payroll: Accounting Station Posting Media. This payroll listing represents amounts paid by the DOJ Payroll system and therefore is a memorandum voucher for recording and posting purposes only and is not scheduled for payment.

5. Inmate Payroll Vouchers. These payments are vouchered for posting and crediting to inmate records.

6. Inmate Accident Compensation. This monthly voucher documents payments to inmates who have suffered an injury while employed by UNICOR. This voucher is scheduled on an SF-1166.

7. Inmate allotments of pay to dependents or other designee are scheduled on an SF-1166, and are supported by the Classification Form 11.

8. DOJ Consolidated Billings. These are memorandum vouchers representing amounts paid by DOJ for the benefit of UNICOR. This voucher is prepared solely by the Resources Division and supports postings by the control accountant. These vouchers are not scheduled for payment.

103. REQUIRED DOCUMENTS - VOUCHERS FOR GOODS/SUPPLIES OR SERVICES

The following types of documents must be part of the voucher file before a voucher document may be prepared and approved for payment of goods or services received:

NOTE: For specific instructions for the preparation of any of the following documents refer to Instructions for Reports, Forms and Records, Section 8540.

1. Request for Purchase (FPI Form 89 or FPI Form 89A). The Request for Purchase (FPI Form 89 or FPI Form 89A) is initiated by the staff member requiring the material or service. Requests for production material or equipment shall be made by the Factory Manager. Final approval of the Request for Purchase is by the AW(I&E)/Superintendent

of Industries at each field location. The requesting officer shall retain one copy for the suspense file. The original and one copy are to be forwarded to the procurement officer after approval is granted

by the AW(I&E)/Superintendent of Industries. When the Request for Purchase involves a service as opposed to a good (supply), the Factory Manager must identify on the FPI Form 89 the individual that will be responsible for determination that the service has been received in accordance with the request.

2. Procurement Document (A Contract or an Order for Supplies or Service (SF-147)). Upon receipt of a properly completed and approved Request for Purchase the Procurement Officer shall prepare either a contract to procure or an Order for Supplies or Services, SF-147, in accordance with the information on the Request for Purchase. Upon proper completion and approval, the Procurement Officer shall forward the original procurement document and a copy of the Request for Purchase to the Business Office. The accountant shall then file the document in an open vendor file (by vendor name) until an invoice and receiving report for the goods/services are received. These documents then become part of the voucher file. The second copy is retained by the procurement officer for the numerical file.

3. Receiving Reports. The Receiving Report, FPI Form 11, is to be used to document the receipt of goods and/or services. It is the responsibility of the warehouseman to accurately prepare and complete the Form 11 upon the receipt of goods/services. The person receiving the goods or services shall sign the Receiving Report. Preparation of a Receiving Report should be initiated for the following:

a. Raw materials, supplies, and other tangible property are received.

b. Services performed by contractors, lessors, and other payees.

c. When a Receiving Report is not prepared to document receipt of goods or services, the following shall be noted on the original invoice and will be signed by a staff member who can verify receipt:

"I certify that the goods/services shown on this invoice were delivered/performed on ____(Date)____ and that this invoice is proper for payment."

In instances where a UNICOR staff member has acknowledged receipt of goods or services on a cash receipt or other proof of purchase, a Receiving Report shall not be required. The Receiving Report indicates that the goods and/or services are in accordance with the requirements on the purchasing document and that all goods subject to

strict specifications have been approved by the Quality Assurance Officer. Upon receipt of the Receiving Report in the Business Office, the accountant will attach it to the open procurement document and await and invoice.

4. Invoices. Upon receipt, invoices shall be promptly delivered to the Business Office. The invoice should have the purchase order number noted (either the "Order for Supplies or Services" number or the contract number), and include related prices and an adequate description of the goods or services that were furnished. Based on the purchase order number on the invoice, the accountant will pull the corresponding procurement document, request for purchase and the Receiving Report. The accountant shall then verify:

a. That the proper authorization and approvals were obtained and that all documents are properly completed and signed.

b. That the name of the payee and the amount to be paid is correct, and that the payment is not being illegitimately diverted to a P.O. box number or alternate payee.

c. That the payment will not be a duplicate.

d. That the goods received or services performed were in accordance with the agreement.

e. That quantity amounts are accurate.

f. That the applicable deductions were made.

g. That the proper forms of documentation were used including special certificates where required.

In summary, the voucher file for a payment shall have an original invoice, original Receiving Report, original purchase order, and copy of request for purchase. Other supporting documents that may be included are order acknowledgement, freight bills, and certificates of compliance. If the FOP on a purchase order is origin then it should state prepay freight and bill as a separate item on invoice. If the vendor pays the transportation company and the invoice is over $100.00 the vendor has to send you a copy of the freight bill from the transportation company showing the charges were billed to the vendor rather than UNICOR. This will eliminate duplicate payments and over billing by vendor for transportation.

After the aforementioned documents have been accumulated and verified, a "Control Voucher for Purchases and Services other than Personal," FPI Form 1034, shall be prepared by the accountant to initiate the disbursement process.

104. PREPARATION OF THE "CONTROL VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL," (FPI FORM 1034)

The FPI Form 1034 (See Illustration 1) is the required form that consolidates and summarizes the back-up documents which must be present to support a disbursement for goods/supplies and services.

1. Once the accountant has received all of the required back-up documents and is satisfied that the documents are accurate and valid, he shall prepare the FPI Form 1034. All items except the voucher number and the schedule number (see Illustration 1) will be entered at this time. Information for items 4 through, 6, 8 through 10, 12, and 16 obtained from the required back-up documents.

Item numbers 1 and 3, Control Voucher Number and Schedule Number, shall be obtained from the Control Voucher Log. (See Section 8507, Disbursements). The Control Voucher Numbers shall start at 1 each fiscal year and increase sequentially throughout the year. The appropriate information on the Control Voucher Log must be filled in when a Control Voucher Number is issued. Item 2 FPI Form 1034, UNICOR Location, shall be filled in as appropriate (i.e., Alderson, West Virginia).

Item 7, Accept/Reject Discount Box, shall be checked as appropriate in accordance with wise cash management policy, see paragraph 109, Prompt Payment to Earn Discounts, in this section. This item is not applicable when vouchering a GTR, GBL, travel or payroll voucher.

Item 11, Accounting Classification, will be determined based upon the general ledger accounts that will be affected by the disbursement. See paragraph 105, Accounting Classification Codes. For specific general ledger accounts to be entered refer to Section 8501, Chart of Accounts and Accounting Classification Codes.

Item 13, Payee Vendor Number, is for future use and shall be left blank.

Items 14 and 15, Approving Officer Signature, Date, and Title, will be filled in by the accountant if and only if he is satisfied that the documents are accurate and provide valid support for the payment.

2. Once the control vouchers to be paid, FPI Form 1034, are complete and approved, the accountant will prepare a "Voucher and Schedule of Payments", SF-1166, in accordance with the instructions in Section 8507, Disbursements. At the point the SF-1166 will be assigned a schedule number and the individual vouchers will be assigned voucher

numbers. These numbers will be entered in items 1 and 3 of FPI Form 1034.

Illustration 1
Control Voucher for Purchases and Services
Other Than Personal (FPI Form 1034)

3. The SF-1166 and applicable FPI Form 1034's, along with supporting documentation, shall be forwarded to the certifying officer who will review and certify the SF-1166. After the SF-1166 is certified and the supporting documents stamped or perforated "PAID" by the certifying officer, the FPI Form 1034 and accompanying support documentation, and a pending SF-1166, will be returned to the accounting office. The FPI Form 1034 and support documentation shall be posted to the Voucher and Disbursement Registers and filed by voucher number.

105. ACCOUNTING CLASSIFICATION CODES

All vouchers shall have the appropriate accounting classification code(s) placed on the FPI Form 1034 to facilitate prompt and expeditious journalizing. The accounting code to be entered on the vouchers shall be as authorized by the Chart of Accounts.

1. Procedure. The following is an example of how accountants shall code vouchers: i.e., 13010 - $100.00 represents and expenditure for Raw Materials and Supplies.

2. Reconciliation. The total of all account codes entered on the voucher shall equal the total of the voucher. Also, the total of all codings per schedule shall equal the total for that schedule.

106. SPECIAL CERTIFICATION - TOLL CHARGE FOR OFFICIAL LONG DISTANCE TELEPHONE CALLS

In addition to the aforementioned required documents, a special certification must be attached to a voucher for a long distance telephone call invoice. The accountant must ascertain that the long distance calls were for official business only and obtain initials on the invoice from the responsible party. Telephone calls home for employees on official travel for more than a night are considered official calls under Federal Travel Regulations (not to exceed one call per day up to a maximum of 15 minutes). Upon this determination, the accountant will have prepared the following statement: "Pursuant to Section 4 of the Act approved, (31 U.S.C. 6809) I hereby certify that the long distance calls were for the transaction of official business required in the interest of the Government." The accountant will then sign and date the statement, attach it to the invoice, and prepare a voucher for payment in accordance with paragraph 104.

107. RECURRENT PAYMENTS

1. Recurrent payments are payments for services of a continuing nature such as rents, janitorial services, etc., which are performed

under a UNICOR purchase order or contract that specifically provides for payments that are fixed in amount and payable at fixed periodic intervals without the submission of an invoice, or bill by the vendor,

Illustration 2
Recurring Payment Log

Recurring Payments Log
Federal Prison Industries, Inc.
Location

VENDOR _____

Purchase Order No. _____

Voucher Number Amount Invoice Number.

(TFRM 4-2020.30). A UNICOR employee must be identified on the purchase order or contract as being responsible for determining that the services have been provided in accordance with the purchase order/contract and that the periodic payment should be made.

2. Each period, i.e., monthly, quarterly, when a payment is required to be made, the designated UNICOR employee will contact the warehouseman who will initiate a Receiving Report and forward it to the responsible employee for approval. Once compliance has been determined, the responsible employee shall sign the Receiving Report and forward the accounting copy to the Business Office.

3. Upon receipt of a recurrent payment Receiving Report the accounting office shall pull the file of back-up documents to verify the procurement as an authorized and valid situation for a recurrent payment and prepare a voucher for payment. The accountant shall establish and maintain a log of recurrent payments made (see Illustration 2). The log shall be retained in the front of the recurring payment file containing all of the back-up documents. The accountant will not process a payment under a recurrent payment situation unless a Receiving Report is provided by the designated responsible employee.

108. LOST OR DESTROYED ORIGINAL VENDOR INVOICES

If an original invoice has been lost or destroyed, a duplicate must be obtained from the vendor to support the voucher for payment, FPI Form 1034. Once the voucher is supported, the payment schedule may then be processed through the regular disbursement channels provided that there is an attachment to the duplicate invoice which (a) gives a full explanation as to the circumstances of the loss or destruction of the original invoice, and (b) a statement that steps have been taken to prevent duplicate payments. The accountant shall be responsible for documenting and verifying the validity of the aforementioned attachment.

109. PROMPT PAYMENT TO EARN DISCOUNTS

1. Discounts will be taken only when the discount terms applied in the following formula yield an effective annual interest rate equivalent to, or greater than the percentage rate based on the current value of funds to the Treasury.

$$\frac{\text{Discount \%}}{100\% - \text{Discount}} \times \frac{360}{\text{\# of days until the net amount is due minus the \# of days that the the discount is in effect.}} = \text{Effective Annual Interest Rate}$$

Example: Current Value of Treasury Funds 18.5% Discount Terms 2/10 net 30 which equate to a 2% discount if paid within 10 days, if the discount is not taken the balance is due within 30 days.

$$\frac{.02}{1.00 - 02} \times \frac{360}{30 - 10} = 36\%$$

Conclusion: 36% $\geq$ 18.5: Therefore, take the discount.

2. The computation of the discount period shall be based on the later of the date of receipt of the invoice for payment or the receipt of goods in accordance with the Prompt Payment Act, unless otherwise provided in the contract or invoice as to how the discount period is to be determined. All discounted payments will be scheduled for check issuance on the last day of the discount period. Payments will not be made to achieve discounts unless the related goods or services have been received except as specifically provided by contract or other agreements executed pursuant to law.

3. The current value of Treasury funds will be calculated by Treasury as an average of the current value of funds to Treasury for the past three months period. The percentage rate will then be transmitted in the Treasury Fiscal Requirements Manual (TFRM) bulletins prior to the first day of each calendar quarter. The Resources Division will assure that the Treasury rate is made available to field locations on a quarterly basis. Note: The quarterly Operations Memorandum transmitting the Treasury rate will contain a handy conversion chart that may be used in lieu of using the above formula.

110. TRANSPORTATION VOUCHERS

1. Bills from commercial vendors for freight and express transportation will be submitted on Standard Form 1113 (Public Voucher for Transportation Charges), and bills for passenger transportation will be submitted on Standard Form 1171 (Public Voucher for Transportation of Passengers). These invoices are to be vouchered separately from other vouchers using a separate series of voucher numbers. A FPI Form 1034 does not need to be prepared when vouchering a SF-1113 or SF-1171 as these forms may serve as the voucher.

2. Upon receipt of the transportation bills from the carrier, transportation invoices should be compared with the estimates originally recorded on FPI Form 77 (Reserve for Transportation Register). See Section 8513 Travel and Transportation. The accountant shall then determine if the transportation was furnished. If not furnished, the accountant will process a request from the carrier pursuant Section 8504, Invoicing. If the transportation is furnished and the transportation item was incorrectly charged to UNICOR, that amount shall be deducted from the billing. Such

deductions must be explained on FPI Form 62 (Debit Memorandum). The original FPI Form 62 will then be forwarded by Treasury with the check to the vendor for that portion of the bill which is properly payable from UNICOR funds.

NOTE: Although the General Services Administration has primary responsibility for rates, certifying officers shall question any rates on transportation bills which they have reason to believe are improper. All bills must be verified for correctness and accuracy.

3. On transportation vouchers for freight and express charges on a shipment for which there has been a notation made on the bill of lading of loss and/or damages, it shall be explained by what action recovery was made and all documents by which recovery was made referenced, such as:

a. The Register of Remittances Received deposit number for deposit of a check received for the loss.

b. The voucher number and date, if set off against another voucher payable by UNICOR.

The action taken in connection with the above is:

1) The carrier shall be invoiced for the loss and damages.

2) If the carrier fails to pay the invoice for the loss and damages, it shall be deducted from the current or subsequent billing of the carrier.

3) If settlement is not obtained by either of the above methods, the claim against the carrier should be transmitted to the Resources Division for submission to the General Services Administration.

111. TRAVEL VOUCHERS

1. General: Standard Form 1012, Travel Voucher, shall be used to voucher for travel expenses incurred on official travel.

a. Requests for travel advances shall be submitted by the employee to the Business Office on a SF-1012 and a Standard Form 1038, Request for Advance of Funds. The request normally accompanies the travel authorization. After the authorization has been annotated with a travel authorization number, the accountant will process the voucher for the advance (see Section 8507, Disbursements). The SF-1038 will accompany the voucher until after the disbursement has been made. It will then be logged in the Collection Bill Register in accordance with Section 8506, Collections.

b. Request of employees for reimbursement of expenses incurred while on official travel will also be submitted on a SF-1012. Accountants shall audit the voucher for compliance with the travel

authorization and regulations. Upon receipt of a travel authorization, the accountant shall file the authorization in an "open" travel file by traveler's name. The authorization shall remain in the file until the traveler submits a voucher for the trip. The accountant shall then pull the authorization and audit the voucher.

The accountant shall ensure that the required approvals and receipts are attached and that any advance is settled (see Section 8513). The copy of the authorization from the "open" file will accompany the voucher until certification. Upon certification of the payment by the Certifying Officer, the accountant will post the schedule and voucher numbers to the authorization, and file the authorization in "closed" numerical file for future reference. Travel vouchers for which no reimbursement is due as a result of the advance exceeding the expenses shall be vouchered for payment but will be scheduled as a "no check" payment.

c. Travel vouchers for TDY travel shall generally include a SF-1012 (Travel Voucher), a properly approved SF-64 (Travel Authorization), lodging receipts indicating single room rate, transportation receipts and any other receipts applicable. Travel vouchers for PCS Travel shall include a SF-1012, statement of proposed travel, and a properly approved SF-64. Other documentation that may be required include: lodging receipts showing single room rate; itemization of temporary quarters expense; itemization of real estate costs; Computation of Federal and State withholding tax on change of duty station voucher DOJ Form 412 (Reimbursement to employee for moving expenses and tax withheld); Per Diem Claimed Statement; Truck rentals and weigh bills, or moving company expenses paid commuted rate schedule; Prohibited Acts Statement; annual leave statement; signed contract from the personnel office (DOJ 50); a traveler's statement approving the typing of vouchers prepared by inmates; mileage charts; SF-1038 showing original travel advance; or itemized miscellaneous expenses when over $700.00.

2. Withholding of Income Taxes from Moving Expenses. The Internal Revenue Service has ruled that certain allowances authorized by PL 89-516, dated July 21, 1966, are subject to Federal and State withholding taxes. Those allowances are: (1) Househunting Trip, (2) Temporary Quarters, (3) Residence Transactions, and (4) Other Miscellaneous Expenses. UNICOR offices shall process withholdings of income tax in accordance with the Department of Justice Order 2120.9A, dated May 19, 1976 and BOP Program Statement 2300.1, paragraph 17200.

The taxes are transferred to DOJ Payroll via an automated computer program, by mailing the DOJ Form 412, or whatever is currently required.

3. Expenses Classification - Permanent Change of Station (PCS). PCS moves of Product Division and factory personnel will be charged as a Division expense. Moves of Superintendents, Resources Division, and Quality Assurance Staff will be charged as Corporate Expense.

a. Field location accounting for these expenditures will be processed through Voucher Register and FPI Form 5 transfer billing procedures. The voucher register entry shall be a debit to Other Expense, Account 65 and a Travel Expense Subsidiary Account (2XX). Vouchers in Transit, Account 21000 and/or Travel Advances Receivable, Account 12020 shall be credited via Journal Entry 9. The FPI Form 5 prepared by the field location will provide the following detail related to the expenditure:

Object Class Code		Subsidiary Expenses
12	Househunting Trip	231
	Real Estate Cost	234
	Miscellaneous Expense Allowance	231
	Subsistence on Temporary Quarters	231
21	Travel - Change of Duty Station	232
22	Transportation of Employee's Property	235
	Storage of Household Goods	236

Recording of the FPI Form 5 in the field location's Washington Control Register will require a debit to Account 33040 Transfer Billings and a credit to Other Expense Account 65 via Journal Entry 1.

b. Recording of the FPI Form 5 in the Division or Washington Office Washington Control Register will require a debit to the 67 or 68 Account series as applicable and the subsidiary expense accounts as noted above via Journal Entry 1. Account 33040 Transfer Billings will be credited identifying the field location involved.

Note: Vocational training PCS travel expenses are charged to Account 81XXX, Vocational Training Expense Control.

112. CIVILIAN PAYROLL

Biweekly, a computer printout (Accounting Station Posting Media (ASPM)) is furnished by the Department of Justice (DOJ) Payroll System which is to be

used to support distribution of civilian salary expense and miscellaneous awards, lump-sum leave, etc. The total of the earnings statements should be verified with total salary expense and the computer printout. Section 8507, Disbursements, prescribes the accounting entries for these payroll transactions. Since the ASPM contains DOJ sensitive material, it is to be secured from inmates.

Upon receipt of the ASPM, the accountant will prepare a voucher. This voucher is for internal accounting purposes and does not require any further disbursement action by UNICOR. The ASPM is the support documentation for the payroll disbursements. The accountant shall allocate the expenses by cost center, General Ledger accounts and object class as shown on the ASPM is filed with the voucher as support documentation.

113. SERVICES PROVIDED BY THE BUREAU OF PRISONS

Utilities payment to the BOP institution is based upon Bureau of Prisons (BOP) institution invoices. Such charges will be based on actual meter readings or other objective measurements, or engineering formulas mutually agreed upon by BOP and UNICOR.

Billings for shop work accomplished by the BOP for UNICOR should include the cost of material and labor costs, including 11% for payroll benefits. Overhead charges of 2% of labor cost when UNICOR supplies the materials and 5% of labor cost when the BOP supplies the materials are acceptable charges to be paid by UNICOR. In addition, UNICOR will be billed for the use of BOP vehicles and meals served to inmates who work regularly scheduled night shifts. Such bills, or invoices, shall be vouchered in the same manner as set forth for other vouchers (see paragraph 104) except that a Receiving Report is not required. Such payments shall be approved by the Business Manager or his/her designee.

114. SERVICES PROVIDED BY THE DEPARTMENT OF JUSTICE

Invoices for services provided to, or goods received by UNICOR, but paid for by the Department of Justice (DOJ) are periodically billed to UNICOR by Consolidated Billings. The amounts billed represent amounts certified for payment by DOJ but properly should be charged to UNICOR. Such bills are vouchered on a FPI Form 1034 as outlined in paragraph 104. Upon receipt, the accountant shall determine if the charge is proper and prepare the voucher. These bills are submitted by DOJ solely to the Resources Division and do not involve individual Business Offices. Although no check is disbursed to reimburse DOJ, for accounting purposes these bills are assigned a voucher and schedule number as outlined in Section 8507, Disbursements.

115. INTER-INDUSTRIES TRANSFERS

Amounts owed by one industry to another within the same institution will usually be settled by complimentary entries in the accounts of the industry supplying the goods or services and the industry receiving such goods or services. Billings for these items will be made including all pertinent information on FPI 5 (Inter-Industries Transfer Voucher)

and always accounted for during the same month. Under no circumstances will a billing on FPI Form 5 remain open beyond September 30 of any fiscal year. FPI Form 5's will then be recorded in the Washington Control Register (Account 97). Amounts owed by one location to another will be processed as a transfer billing utilizing FPI Form 5. The form will be initiated by the billing institution and completed by the billed institution. The FPI Form 5 is a mechanism to bill other offices/factories/ institutions for certain expense or costs transferred between each other. Section 8504 Invoicing outlines more fully the instructions and procedures for preparation and completion of the FPI Form 5 and related accounting entries.

116. CLAIMS AGAINST INDUSTRIES

1. Vendors. When advance decision or approval by the General Accounting Office (GAO) is needed prior to payment of a vendor's claim, the certifying officer shall submit the original voucher to the Financial Management Division with attached supporting papers and recommendations for consideration through the Department of Justice. When a decision is made, the original voucher will be returned for settlement or cancellation and advice to the claimant. Payment will be accomplished in the same manner as for any other voucher. If GAO issues a certificate of settlement instead of returning the original voucher, the certificate of settlement should be handled as outlined in GAO Manual, Titles 4 and 5.

2. Tort (GAO Manual, Title 7). Approved claims under the Tort Claims Act will be on Standard Form 1145 (Voucher for Payment under Federal Tort Claims Act). Such vouchers will be prepared in Washington and sent to the appropriate field office for certification and scheduling for payment. Before payment, the signature of the claimant must be secured on the original voucher to relieve the Government of further liability.

3. Other. Settlement of accounts of deceased or incompetent public creditors other than deceased civilian officer and employees shall be in accordance with GAO Manual, Title 4.

117. INMATE PAYROLL VOUCHERS

Inmate payrolls and inmate accident compensation shall be prepared and processed immediately following the close of the month in accordance with the procedures described in Section 8511 Payrolls.

118. ADJUSTMENTS ON VENDOR'S BILLINGS

1. GSA. The General Services Administration (GSA) (per GAO Manual, Title 7) requires that differences on billings from GSA (including Federal Supply Service) resulting from over or under deliveries, over or under charges, or errors in extensions or additions on GSA billings should be handled as stated in FPMR, Subpart 101.26. The entire amount of the invoice should be paid if the error does not exceed $100.00 a line item. Under FPMR, Subpart 101-40.702-3, transportation type discrepancies not in excess of $100.00 should not be adjusted. The over or under charge should be debited or credited to Account 61810, Other Expense via Journal Entry 9. If such amounts are adjusted at a later time, a contra debit or credit should be made from the amount to Account 61810, offsetting the amount originally entered.

2. Commercial Vendors. Errors in extensions or additions on billings by commercial vendors or failure to bill at all shall be handled as follows:

a. When the total of the invoice is incorrect, either insufficient or excessive, the invoice should be returned to the vendor for correction, unless it is evident that the vendor has given a trade discount or reduced the prices. If the invoice is excessive, and a firm quote or contract applies, an administrative deduction may be taken by completing FPI Form 62 (Debit Memorandum) as set forth in Section 8507. A copy of this should be forwarded to the vendor when payment of his invoice is made.

* b. When the vendor bills to recover an allowable previous administrative deduction, such adjustment should be charged to Production Expense Control (Other Expense) Account 61810, if $100.00 or less. If more than $100.00, the adjustment should be charged to stores, work-in-process or finished goods, providing the material is still on hand. If the material has been used or sold, adjustment shall be made to Account 51000, Cost of Sales Control; Account 16XXX, Construction; or Account 81XXX, Vocational Training, as may be necessary. *

c. Small monetary adjustments of differences in Receiving Reports and vendor's invoices may be made through the appropriate manufacturing expense account, if less than $25.00 per line item. Any quantity adjustments should be made to the stock cards.

d. Business Office personnel shall make reasonable efforts, by letter or telephone, to secure invoices and supporting documents from vendors and contractors in order that prompt payment may be made of current legitimate claims for services and supplies furnished UNICOR pursuant to proper procurement methods. If, despite these efforts, the vendor fails to bill at all, the amount shall be credited to Other Income, Account 74000 after two years from date of establishment of liability.

3. Vocational Training (VT). In the VT shops, where no inventories are maintained and charges are made direct, the expense accounts shall be charged as billed. In the case of excess charges by commercial concerns, administrative deductions shall be taken in accordance with preceding paragraph 2a and charged to Vocational Training, Other Expense, Account 81810.

SECTION 8515

REPORTS, FORMS AND RECORDS

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PART I

REPORTS AND STATEMENTS

100. PREFACE

This section contains reports and statements which must be prepared throughout the year. Certain reports and statements prepared in the field will be for field purposes only, while others will be forwarded to the Resources Division. The Resources Division is responsible for consolidating reports submitted from the field as well as preparing other reports.

To keep adjustments and correspondence to a minimum, it is imperative that all offices be diligent in maintaining accounts and preparing the required reports and statements. Amounts indicated on financial reports must be supported by the appropriate general ledger subsidiary or control account balance and items common to more than one report shall be cross-checked to ensure the continuity of reports. To ensure report accuracy calculator tapes should be prepared before and after the reports have been typed. The Business Manager will ensure that calculator tapes are prepared and maintained with monthly workpapers that balance general ledger subsidiary accounts to applicable control accounts and tapes that balance general ledger control accounts to Account 97, Washington Control. All calculator tapes shall be properly annotated with date, appropriate account/source identification and initials of the staff member responsible for the tape. The business manager or his designee at each location, shall sign all reports furnished to the Resources Division. The person(s) taking inventory shall bear evidence thereon that the original was signed.

All statements, unless stated elsewhere in this manual, are due in the Resources and/or Product Division no later than the 12th of the month following the period covered.

Any delay of the reports beyond the due dates indicated shall require written explanation and advance telephone notice of the delay and cause.

101. WEEKLY REPORTS AND STATEMENTS

A. Weekly Cash Report:

1. Purpose - Report provides Corporate Management with current Receivables, Payables and Cash Balance position data;

2. Source - Voucher Register, Collection Bill Register, Account 70, Statement of Cash Transactions;

3. Due Date - By noon Monday of the following week;

4. Report Medium - Transmit data via APECS transaction T-955*9 Data may be called in if APECS entry is not possible due to APECS equipment and/or system failure. Sample page 1-22;

5. Distribution - Transmit data via APECS T-955 to Resources;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager;

* Data must be entered in all fields. An "-O-" is required when there is no balance to be reported.

102. MONTHLY REPORTS AND STATEMENTS

A. FPI Form 2 - Comparative Balance Sheet:

1. Purpose - The form reflects the ending balance of real accounts. It is used at the local level to report the balances of a particular factory as of a specific date. They are consolidated by the Resources Division to show the cumulative balances of UNICOR as a whole. Thus it provides management with the status of assets and liabilities as of the reporting date. It can be used by management in making decisions related to operations;

2. Source - General Ledger, FPI Form 3, Inmate Payroll Records;

3. Due Date - By the 12th of the following month;

4. Report Medium - Transmit data via APECS transaction T-960. No typed copy is necessary, unless APECS entry is not possible due to APECS equipment and/or system failure. Sample pages 1-23 and 1-24.

5. Distribution - Transmit data to Resources via APECS T-960. Pencil copy or APECS -print-out to be retained by originating location. No typed copy need be mailed to Resources unless ASPECS entry is not possible due to APECS equipment and/or system failure;

6. Reporting Level - By factory;

7. Responsibility -UNICOR Business Manager.

B. FPI FORM 3 - Condensed Statement of Operations:

1. Purpose - This statement presents the financial results of operations for the month, fiscal year-to-date, and prior year balances to a comparable date. The form is used at the field level to recap activities of a particular factory. They are consolidated by the Resources Division to show operations results of the Product Divisions individually and UNICOR as a whole. This statement is also known as an Income Statement. It shows the net results of operations, detailing sales broken down by material, labor and overhead costs and other operations income and expenses realized during the period. Distribution of overhead expenses is detailed in the Overhead Summary and Cost of Sales and Inventory information is displayed in the Cost of Sales Summary. Based on the information contained in these reports, management can make decisions related to operations;

2. Source - General Ledger, FPI Form 4, FPI Form 51;

3. Due Date - By the 12th of the following month;

4. Report Medium - Transmit via APECS transaction T-961. No typed copy is necessary unless APECS enter is not possible due to APECS equipment and/or system failure. Sample pages 1-25 and 1-26;

5. Distribution - Transmit data to Resources via APECS T-961. Pencil copy or APECS print-out to be retained by originating location. No typed copy needs to be mailed to Resources unless APECS entry is not possible due to APECS equipment and/or system failure;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

C. FPI Form 4 - Summary of Expenses:

Account 57, 71, 72
Account 73

1. Purpose - Account 57, 71, 72 - to provide a detailed breakdown of Production Expenses for current month, fiscal year-to-date and for the same period of the preceding year. Accounts 73 - (Central Office only) to provide detailed breakdown of Corporate

Administrative Expenses for current month, fiscal year-to-date and for the same period of the preceding year;

2. Source - General Ledger;

3. Due Date - By the 12th of the following month;

4. Report Medium - Account 57, 71, 72 - transmit via APECS transaction T-962 (T-967 for specified locations). No typed copy is necessary unless ASPECS entry is not possible due to APECS equipment and/or system failure. Account 73 - report will be prepared by Central Office Resources staff on FPI Form 4. Sample pages 1-27/30;

5. Distribution - Account 57, 71, 72 - transmit data to Resources via APECS T-962. Pencil copy or APECS print-out to be retained by originating location. No typed copy needs to be mailed to Resources unless APECS entry is not possible due to APECS equipment and/or system failure. Account 73, original report will be maintained by Resources;

6. Reporting Level - Account 57, 71, 72 - by factory. Account 73 - Central Office only. *Report required for designated locations only;

7. Responsibility - Account 57, 71, 72 - UNICOR Business Manager. Account 73, Chief, Accounting and Property Management in the Central Office.

D. FPI Form 10 - Monthly Completed Job Order Report:

1. Purpose - to provide a listing of job orders completed during the month and the cumulative costs for material, labor, and overhead charged to each job. As a result, the overall production efficiency and profit or loss pertaining to each job is available for management reviewed and analysis. Decisions can be made as to the need for sales price increases, product lines to be featured in obtaining future orders and areas that need to be improved to attain production efficiency;

2. Source - FPI Form 9;

3. Due Date - By the 12th of the following month;

4. Report Medium - FPI Form 10. Sample page 1-31;

5. Distribution - Original to the applicable Product Division and copy to be retained by the originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

E. FPI Form 51 - Summary of Work-In-Process:

1. Purpose - To provide a monthly summary of jobs identifying beginning Work-In-Process, charges for the month, credits for the month, and the ending Work-In-Process;

2. Source - FPI Form 9, General Ledger accounts 18.1, 18.2 and 18.3;

3. Due Date - By the 12th of the following month;

4. Report Medium - FPI Form 51. Sample page 1-32;

5. Distribution - Original to the applicable Product Division,copy of "Totals" page to Resources and copy to be retained by the original location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

F. FPI Form 70 - Consolidated Cash Reconciliation:

1. Purpose - To provide an overview of monthly cash transactions including beginning balance, receipts, disbursements, fund transfers and the ending cash balance;

2. Source - General Ledger, Voucher Schedules, Deposits, FPI Form 5;

3. Due Date - By the 12th of the following month;

4. Report Medium - FPI Form 70. Sample page 1-33;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

G. FPI Form 78 - Report of Anticipated Obligations and Reimbursements:

1. Purpose - To provide information which has not yet been entered into the accounting system, specifically information on purchase orders to be filled and customer orders to be complete;

2. Source - FPI Form 79 - Status of Orders Report, Open Purchase Orders;

3. Due Date - By the 12th of the following month;

4. Report Medium - Transmit via APECS transaction T-016*. No typed copy is necessary unless APECS equipment and/or system failure. Sample pages 1-34 and 1-35;

5. Distribution - Transmit data to Resources via APECS T-016. Pencil copy or APECS print-out to be retained by originating location. No typed copy needs to be mailed to Resources unless

APECS entry is not possible due to APECS equipment and/or system failure;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager;

H. FPI Form 79 - Status of Order Report:

1. Purpose - To provide a list of work orders in/or awaiting production as of the last day of each month;

2. Purpose - To provide a list of work orders in/or awaiting production as of the last day of each month;

2. Source - Open work orders;

3. Due Date - By 3rd of the following month;

4. Report Medium - FPI Form 79. Sample page 1-36;

5. Distribution -
   a. Production Division (Original and copy)
   b. Superintendent of Industries (copy)
   c. Factory Manager (copy)
   d. Factory Accountant (copy)
   e. Quality Control (copy)

6. Reporting Level - By factory;

7. Responsibility - Factory Manager.

I. FPI Form 81 - Report of Vocational and Pre-Industrial Training:

1. Purpose - To report monthly financial activity related to vocational training and pre-industrial training. This form is also used to request adjustments and/or apportionment of funds and/or reapportionments. Such requests are to be submitted no later than 30 days before the end of the quarter involved;

2. Source - General Ledger Accounts 66, 75 and 76 and approved budget for each program as provided by the Central Office Education Supervisor;

3. Due Date - By the 12th of the following month;

4. Report Medium - FPI Form 81. Sample page 1-37;

5. Distribution - a. Original to Resources
   b. Factory Files (copy)
   c. Institution Education Department (copy)
   d. Regional Education Director (copy)
   e. Director of Education C.O. (copy)

6. Reporting Level - By program;

7. Responsibility - UNICOR Business Manager. Assistance may be required from the Supervisor of Education.

J. FPI Form 97 - Washington Control Register:

1. Purpose - To facilitate reconciliation of Account 97*, Washington Control;

2. Source - FPI Form 5;

3. Due Date - By the 12th of the following month;

4. Report Medium - FPI form 97. Sample page 1-38;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager;

*Report Format - First three columns labeled 97.2, 97.3 and 97.4 respectively, with remaining columns for accounts most frequently used by the factory. Debits are to be recorded without asterisks (*) or parenthesis; credits are to be designated by parenthesis.

K. SF 224 - Statement of Transactions:

1. Purpose - Serves as a verification device for the Treasury Department to check the accuracy of each accounting station's monthly cash collections and disbursements;

2. Source - Documents accomplished by U.S. Treasury such as SF 215, 1166, 1098, 1081 and Journal Entries. This report must reconcile to General Ledger cash accounts;

3. Due Date By 3rd of the following month;

4. Report Medium - SF 224. Sample page 1-39;

5. Distribution - Electronic transmission to Treasury, copy to Resources, and copy to be retained by originating location;

6. Report Level - By location;

7. Responsibility - UNICOR Business Manager.

L. SF 225 - Report on Obligations:

1. Purpose - To report gross obligations by object class to the Department of Treasury;

2. Source - Open Purchase Orders, FPI Form, General Ledger and

any additions to Real Accounts 25, 35, and 40;

3. Due Date - By the 12th of the following month;

4. Report Medium - Transmit via APECS transaction T-018*. No typed copy is necessary unless APECS entry is not possible due to APECS equipment and/or system failure. Sample pages 1-40 and 1-41;

5. Distribution - Transmit data to Resources via APECS T-018. Pencil copy or APECS print-out to be retained at the originating location. No typed copy needs to be mailed to Resources unless APECS entry is not possible due to APECS equipment and/or system failure;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager;

*Use "2" as number of transactions. Report dollars and cents.

M. FPI Form 107 - Report of Construction Projects:

1. Purpose - The report is used to provide current construction project status information about construction costs and estimated completion date;

2. Source - General Ledger and various register. This report must reconcile to General Ledger Account 35;

3. Due Date - By the 12th of the following month;

4. Report Medium - FPI Form 107. Sample page 1-42;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager. Input from the Institution Facilities Manager and the Construction Representative may be beneficial in the preparation of this report.

N. FPI Form 108 - Cash Forecast:

1. Purpose - To provide Corporate Management with an accurate projection of cash requirements for a six week period;

2. Source - Review of expected expenditures and receipts;

3. Due Date - By the 5th of the following month;

4. Report Medium - FPI Form 108. Sample page 1-43;

5. Distribution - Original to Resources and copy retained by originating location;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

O. Data for Product Divisions:

1. Purpose - To provide Product Divisions with information that was on manually typed reports but is not available on the automated reports (APECS);

2. Source - Collection Bill Register, General Ledger, Inmate Payroll records and Monthly Financial Reports;

3. Due Date - By the 12th of the following month;

4. Report Medium - Transmit via APECS transaction T-984*. No typed copy is necessary unless APECS entry is not possible due to APECS equipment and/or system failure. Sample page 1-44;

5. Distribution - Transmit data to the Division terminals and/or printers noted below via APECS T-984. No typed copy is necessary unless APECS entry is not possible due to APECS equipment and/or system failure;

a.	Information Systems Division	WCOC1, WCOC2, WCOCP
b.	Resources Division	WCOE1, WCOE2, WCOEP
c.	Electronics Division	WCOB1, WCOBP
d.	Data/Graphics Division	WCOA1, WCOAP
e.	Metal and Wood Products Division	WWPB1, WWPBP
f.	Textile/Leather Division	WCOD1, WCODP

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager;

* Data is transmitted directly to designated terminal and/or printer by pressing "enter". Call in corrections or resubmit corrected report, data is not stored and no corrections are possible on reports previously transmitted.

P. Monthly Narrative Report to Corporate Management:

1. Purpose - To provide Corporate Management with consistent and

uniform narrative pertaining to the results of factory operations and corresponding business office activity;

2. Source - Business office and factory financial and production records. APECS down time logs. Local monthly financial reviews and discussions;

3. Due Date - By the 20th of the following month;

4. Report Medium - Standardized format, Monthly Narrative Report to Corporate Management. Sample pages 1-45/49;

5. Distribution - Three copies, addressed to the Associate Commissioner, are to be forwarded to Resources for further distribution;

6. Reporting Level - By factory;

7. Responsibility - The Superintendent of Industries is required to sign each narrative report.

103. QUARTERLY REPORTS AND STATEMENTS

A. Report on Status of Accounts and Loans Receivable Due from the Public. SF-220 Schedule 9 (Condensed):

1. Purpose - To summarize accounts receivable for consolidated report to the Department of Justice;

2. Source - Collection Bill Register:

3. Due Date - By the 12th day following the close of each quarter;

4. Report Medium - SF-220, Schedule 9 (Condensed)*. Sample page 1-50;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager;

*Beginning balance must equal Account 10.3 beginning balance. Do not include receivables from other government agencies on the report.

B. SF 279 - Individual Contract Actions Report (Over $10,000):

1. Purpose - to report procurement information on contracts of over $10,000;

2. Source - Procurement Records

3. Due Date - By the 12th day following the close of each quarter;

4. Report Medium - SF-279. Sample page 1-51;

5. Distribution - Originals to Resources Procurement Section and copies to be retained by originating location;

6. Reporting Level - Per contract over $10,000;

7. Responsibility - UNICOR Business Manager.

C. SF 281 - FPDS - Summary of Contract Actions of $10,000 or less:

1. Purpose - to report procurement information on contracts of $10,000 or less;

2. Source - Procurement Records;

3. Due Date - By the 12th day following the close of each quarter;

4. Report Medium - SF-281. Sample page 1-52;

5. Distribution - Original to Resources Procurement Section and copy to be retained by originating location;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

D. FPI Form 109 - Schedule of accounts payable:

1. Purpose - To summarize accounts payable for a consolidated report to the Department of Justice;

2. Source - Analysis of Accounts Payable;

3. Due Date - By the 12th day following the close of each quarter;

4. Report Medium - FPI Form 109. Sample page 1-53;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

E. IFAMIS - Cash Management and Travel Data for DOJ:

1. Purpose - To report interim cash management and travel information to DOJ. Data is used to satisfy OMB and GAO reporting requirements;

2. Source - General Ledger, Travel Vouchers, Voucher Schedules;

3. Due Date - By the 12th day following the close of each quarter;

4. Report Medium - Transmit via APECS transaction T-911. Call in data if APECS entry is not possible due to APECS equipment and/or system failure. Sample page 1-54;

5. Distribution - Transmit data to Resources via APECS T-911. After entering data in APECS, press enter and data will

automatically be transmitted to Resources. Call data into Resources if APECS entry is not possible due to APECS equipment and/or system failure. Maintenance of data at originating location is not required;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

104. SEMI-ANNUAL REPORTS AND STATEMENTS

A. FPI Form 4 Summary of Expenses:
Account 66*, 75, 76*

1. Purpose - To provide a detailed breakdown of expenses incurred for the following accounts;
Pre-industrial Training Control (66)
Vocational Training Control - Permanent Programs (75)
Vocational Training Control - Experimental Programs (76)

2. Source - General Ledger;

3. Due Date - by the 12th of April and October;

4. Report Medium - FPI Form 4. Sample pages 1-27/30;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By location. *Report required for each program.

7. Responsibility - UNICOR Business Manager.

105. ANNUAL REPORTS AND STATEMENTS

A. FPI Form 1 - Trial Balance;

1. Purpose - To provided an annual report of general ledger accounts and sub-account balances. Report is used by Resources to develop consolidated financial statements for formal Annual Report footnotes, and for triennial audit by the General Accounting Office (GAO);

2. Source - General Ledger;

3. Due Date- By October 12th;

4. Report Medium - FPI Form 1. Sample pages 1-55 and 1-56;

5. Distribution - Original to Resources, and a copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager;

Note: Openings balances must agree with the previous year's ending balances. Debits and Credits during the year are to be recorded for control accounts only. Sub-accounts are to be listed for the accounts (expense) for which an FPI Form 4 Summary of Expense is not required.

B. FPI Form 4 - Summary of Expense:

1. Purpose - To show annual expense incurred for Maintenance (61), Quality Assurance (61), Warehouse (62), Business Office (63) and Other (65);

2. Source - General Ledger;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 4. Sample pages 1-27/30;

5. Distribution - Original to Resources, copy to appropriate department, division or staff function and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

C. FPI Form 110 - Analysis of Other Income:

1. Purpose - Provides analysis of Miscellaneous Sales (53.1), Cost of Miscellaneous Sales (53.2), Other Income (53.3) and Recapture of Donated Property Expense (53.4);

2. Source - General Ledger;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 110. Sample page 1-57;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

D. FPI Form 111 - Analysis of Machinery and Equipment:

1. Purpose - To provide a summary of Machinery and Equipment actions during the fiscal year;

2. Source - General Ledger, Report of Survey, FPI Form 13 Equipment Card;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 111. Sample page 1-58;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

E. FPI Form 112 - Analysis of Building and Improvements:

1. Purpose - to provide a summary of Building and Improvement actions during the fiscal year;

2. Source - General Ledger, Report of Survey, FPI Form 13 Equipment Card;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 112. Sample page 1-59;

5. Distribution - Original to Resources and copy to be retained by

originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

F. FPI Form 113 - Analysis of Construction:

1. Purpose - To provide a summary of construction actions during the fiscal year;

2. Source - General Ledger;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 113. Sample page 1-60;

5. Distribution - Original to Resources and copy to be retained by originating locations;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

G. FPI Form 114 - Analysis of Prepaid and Deferred Expenses:

1. Purpose - To identify Account 40 items and indicate amounts amortized during the fiscal year;

2. Source - General Ledger;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 114. Sample page 1-61;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

H. FPI Form 115 - Summary of Inmate Industrial Pay:

1. Purpose - To provide a summary of discretionary compensation paid to inmates (includes direct and indirect labor and accident compensation);

2. Source - General Ledger, FPI Form 4, Inmate Pay Records;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 115. Sample page 1-61;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

I. GSA Form 1166 - Annual Report of Real Property Owned by the United States Government:

1. Purpose - Report is utilized by GSA in the preparation of annual reports required for maintenance and publication of real property inventories owned by and leased to the United States Government as of September 30 each year. Data utilization:

   a. Provides centralized source of data on Federal Real Property holdings;

   b. Achieves most effective control and economical Government-wide utilization of available property;

   c. Facilitates disposal of surplus property;

   d. Provides basis for intelligent evaluation and appraisal of budgetary requirements;

   e. Establishes a reference for answering inquiries from Congress press, trade associations, educational institutions, federal, state and local government agencies and the general public;

2. Source - FPI Form 13, Equipment Card;

3. Due Date - By October 12th;

4. Report Medium - GSA Form 1166. Sample pages 1-63 and 1-64;

5. Distribution - Original and copy to Resources and copy to be retained by originating location. Resources consolidates and forwards to GSA;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

J. SF-82 - Agency Report of Motor Vehicle Data:

1. Purpose - To provide the Justice Management Division with a listing of the number and type of vehicles owned or leased by Federal Government agencies;

2. Source - FPI Form 13, Equipment Card;

3. Due Date - By October 12th;

4. Report Medium - SF 82. Samples pages 1-65 and 1-66;

5. Distribution - Original and copy to Resources and copy to be retained by originating location. Resources consolidates and

forwards to GSA;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

K. SF-121 - Annual Report of Utilization and Disposal of Surplus Personal Property:

1. Purpose - To consolidate fiscal year disposal information;

2. Source - FPI Form 13, Reports of Survey;

3. Due Date - By October 12th;

4. Report Medium - SF-121. Sample pages 1-67 and 1-68;

5. Distribution - Original and copy to Resources and copy to be retained by originating location. Resources consolidates and forwards to GSA;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

L. FPI Form 116 - Mode of Transportation Report:

1. Purpose - To provide the Justice Management Division with information about the cost of various modes of transportation;

2. Source - Travel Vouchers (Temporary duty and PCS);

3. Due Date - By October 12th;

4. Report Medium - FPI Form 116. Sample pages 1-69;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

M. FPI Form 117 - Schedule of Idle Machinery and Equipment:

1. Purpose - To provide Corporate Management with a directory of

idle machinery and equipment;

2. Source - FPI Form 13, Equipment Card;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 117. Sample pages 1-70;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

N. Inventory Certification:

FPI Form 118 - Schedule I	Inventory Certificate
FPI Form 119 - Schedule II	Summary of Inventories
FPI Form 120 - Schedule III	Inter-Industries Inventory Items
FPI Forms 121 - Schedule IV	Summary of Excess and Obsolete Inventory -Raw Material and Supplies
FPI Forms 122 - Schedule V	Summary of Excess and Obsolete Inventory - Finished Goods

1. Purpose - To certify inventory composition, dollar value and cost determination basis. Schedule II indicates dates of physical inventories, inventory adjustments and fiscal year end inventory balances. Schedules III, IV and V report pertinent information about Inter-industry and Excess and Absolute Inventory;

2. Source - FPI Form 63, General Ledger;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 118 - Schedule I. Sample page 1-71;
FPI Form 119 - Schedule II. Sample page 1-72;
FPI Form 120 - Schedule III. Sample page 1-73;
FPI Form 121 - Schedule IV. Sample page 1-74;
FPI Form 122 - Schedule V. Sample page 1-75;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

O. FPI Form 123 - Summary of Debits and Credits to Other Accounts:

1. Purpose - To provide summary of debits and credits to other accounts for DOJ and GAO auditors;

2. Source - General Ledger;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 123. Sample page 1-76;

5. Distribution - Original to Resources and copy to be retained by originating location;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager.

106. OTHER REPORTS AND STATEMENTS

A. FPI Form 63 - Report of Inventory:

1. Purpose - Multi-purpose form utilized for summarization and reconciliation of all material inventories. FPI Form 63 is used in conjunction with FPI Form 63A, Report of Differences in Inventory and FPI Form 63B, Report of Obsolete, Excess and Slow Moving Items. All three forms (63, 63A and 63B) are required for each physical inventory of materials (raw materials and supplies, finished goods and work-in-process). Additionally, the report is used for certification, inventory balance substantiation and monetary value and as support documentation when inventory record adjustments are necessary to correct monetary or quantity errors detected during the physical count. Report also acts as an internal control over assets (materials);

2. Source - Physical Inventory, General Ledger;

3. Due Date - Within 30 days after date of physical inventory;

4. Report Medium - FPI Form 63. Sample page 1-77;

5. Distribution - Original to Resources, copy to applicable Product Division and copy to be retained by originating location;

6. Reporting Level - By factory, by inventory;

7. Responsibility - UNICOR Business Manager.

B. FPI Form 63A - Report of Differences in Inventory:

1. Purpose - To report difference (over and short) detected during a physical inventory of material. Used in conjunction with FPI Form 63. Report also acts as an internal control over assets (materials);

2. Source - Physical Inventory, APECS Inventory Records;

3. Due Date - Within 30 days after date of physical inventory;

4. Report Medium - FPI Form 63A. Sample page 1-78;

5. Distribution - Original to Resources, copy to applicable Product Division and copy to be retained by originating location;

6. Reporting Level - By factory, by inventory;

7. Responsibility - UNICOR Business Manager.

C. FPI Form 63B - Report of Obsolete, Excess and Slow Moving Items:

1. Purpose - To identify obsolete, excess and slow moving inventory items and to recommend and justify retention or disposal of items identified. Report also acts as an internal control over assets (materials);

2. Source - Review of APECS inventory records;

3. Due Date - Within 30 days after date of physical inventory;

4. Report Medium - FPI Form 63B. Sample page 1-79;

5. Distribution - Original to Resources, copy to appropriate Product Division and copy to be retained by origination location;

6. Reporting Level - By factory, by inventory;

7. Responsibility - UNICOR Business Manager.

D. FPI Form 67 - Annual Inventory Machinery and Equipment:

1. Purpose - To report capital asset holdings of machinery and equipment. Report verifies physical existence of machinery and equipment and supports the General Ledger Machinery and Equipment account. Report also acts as an internal control over capital assets;

2. Source - Physical Inventory, FPI Form 13, General Ledger;

3. Due Date - By October 12th;

4. Report Medium - FPI Form 67. Sample page 1-80;

5. Distribution - Original to Resources and copy to be retained by originating location*;

6. Reporting Level - By factory;

7. Responsibility - UNICOR Business Manager;

***Note:** Inventory per Accounting Manual, Page 8508.2-14 paragraph 218. For inventories required due to transfer of responsible employee (page 8508.2-15, paragraph 220) use FPI Form 67, retain original at location and do not submit copy to Resources.

E. Daily Cash Report:

1. Purpose - to provide Corporate Management with daily receipt and disbursement information from selected locations to facilitate the cash management decision making process;

2. Source - Collection Bill Register, Voucher Schedules;

3. Due Date - Daily;

4. Report Medium - Transmit data via APECS transaction T-958. If APECS entry is not possible due to APECS equipment and/or system failure, call in data. Sample page 1-18;

5. Distribution - Transmit data to Resources via APECS T-958. If APECS entry is not possible due to APECS equipment and/or system failure, call data in to Resources;

6. Reporting Level - By designated location;

7. Responsibility - UNICOR Business Manager;

F. Method and Forms for Tax Withholding on PCS Move:

1. Purpose - To properly withhold and record withholding of Federal and State taxes on PCS moves;

2. Source - PCS Voucher documentation;

3. Due Date - Same month PCS voucher is settled;

4. Report Medium - SF-224. Sample page 1-39;
SF-1081. Sample page 1-83;
DOJ-412. Sample page 1-82;

5. Distribution - SF-224 Normal distribution to Treasury. Originals of DOJ Form 412 and SF-1081 (all copies) to DOJ payroll section. Submit cover memo to DOJ Payroll with DOJ Form 412 and SF-1081. Maintain file for DOJ Form 412 and file copy of SF-1081 returned from DOJ payroll with appropriate SF-224;

6. Reporting Level - By location;

7. Responsibility - UNICOR Business Manager.

WEEKLY CASH REPORT
DOLLARS IN THOUSANDS

LOCATION
WEEK ENDED

INMATES ASSIGNED LAST
DAY OF MONTH:
INSIDE CAMP

PART-TIME INMATES ASSIGNED:
INSIDE CAMP

CASH
ACCOUNTS RECEIVABLE
ACCOUNTS PAYABLE
A/B 90 DAYS OVERDUE
(120 DAYS FROM INVOICE DATE)

IN TRANSIT - FROM WASHINGTON
TO WASHINGTON

COMPARATIVE BALANCE SHEET

FEDERAL PRISON INDUSTRIES, INC.
COMPARATIVE BALANCE SHEET
(FORM 2)

DIVISION M FOR PERIOD ENDING 8510
INSTITUTION LO PLANT FT

--ASSETS--

CASH		000103459.33
ACCOUNTS RECEIVABLE		000430033.04
INVENTORY: FINISHED GOODS		000153276.85
WORK IN PROGRESS	000105520.38	
MATERIALS AND SUPPLIES .	000519693.52	
	000778490.75	
MACHINERY AND EQUIPMENT	000598875.96	
LESS: ACCUMULATED DEPRECIATION .	000386656.26	
	000212219.70	
BUILDING AND IMPROVEMENTS	000378595.41	
LESS: ACCUMULATED DEPRECIATION .	000124185.20	
	000254410.21	
CONSTRUCTION		000013723.86
DEFERRED AND PREPAID EXPENSES		000000000.00
ALLOW. FOR OBSOLETE INV. RM & S		-000013562.41
TOTAL ASSETS		001778774.48

CONDENSED STATEMENT OF OPERATIONS

FEDERAL PRISON INDUSTRIES, INC.
CONDENSED STATEMENT OF OPERATIONS
(FORM 3)

DIVISION M
PLANT FT

FOR PERIOD ENDING 8510
INSTITUTION LO
MONTH

NET SALES:

OTHER GOVERNMENT AGENCIES, NET	000320930.90
UNICOR, NET	000000000.00
TOTAL SALES	000320930.80
COST TO MANUFACTURE:	
DIRECT MATERIAL	000130149.30
DIRECT LABOR	000011088.38
APPLIED OVERHEAD	000061540.51
WORK IN PROCESS, BEGINNING	000223973.73
LESS: WORK IN PROCESS, ENDING	000105520.38
COST TO MANUFACTURE	000321231.54

SUMMARY OF EXPENSE

-PLANT CODE-LOFT-FOR PERIOD 8509-FORM 4- MONTH

.0.SALARIES, CIVILIAN	
..PERMANENT POSITIONS	15827.71
.2 OTHER THAN PERMANENT	0.00
.3 OTHER PERSONNEL COMPENSATION	404.78
.4 CONTINGENT ANNUAL LEAVE	3677.96
.02 PERSONNEL BENEFITS	2353.14
.03 INCENTIVE AWARDS:	
.1 CIVILIAN	0.0
.2 INMATES	0.00
.04 CONTRACT SERVICES	64.25
.05 LABOR, INDIRECT INMATE:	
.1 REGULAR	496.74
.2 OVERTIME	588.24
.3 OTHER	1276.01
.06 REIMBURSABLE SALARIES	0.00
.07 EMPLOYEE DEVELOPMENT:	
.1 CIVILIAN	50.00
.2 INMATE	0.00
.3 INMATE SCHOLARSHIPS	0.00
.08 ACCIDENT COMPENSATION:	
.1 CIVILIAN	0.00
.2 INMATE	0.00
.09 SPECIAL CLOTHING	0.00
.10 SPECIAL MEALS	0.00
.11 EXPERIMENTAL EXPENSE	0.00
.12 GRADE AND TESTING	0.00
.13 INVENTORY OVERAGE/SHORTAGE	0.00
.14 DAMAGED/OBSOLETE INVENTORY	52.69
.15 INDIRECT MATERIALS	4134.49
.16 FACTORY SUPPLIES	2366.76
.17 MACHINERY REPAIRS	823.13
.18 BUILDING REPAIRS	0.00
.19 MINOR EQUIPMENT AND TOOLS	3523.93
.20 DEPRECIATION, MACHINERY AND EQUIPMENT	3892.22
.21 DEPRECIATION, BUILDING AND IMPROVEMENTS	757.18
.22 AMORTIZATION	0.00
.23 RENTS AND ROYALTIES	3295.00
.24 VEHICLE OPERATION	2659.66
.25 UTILITIES	-1524.76
.26 COMMUNICATION	0.00
.27 BAD DEBT	0.00
.28 TRAVEL:	

.1 REGULAR TRAVEL 111.70
.2 PERMANENT CHANGE OF STATION-BENEFITS 0.00
.3 PERMANENT CHANGE STATION-TRAVEL 0.00
.4 TRANSPORTATION AND STORAGE 0.00
.5 TRAINING TRAVEL . . . . . -14.00
.29 FREIGHT, EXPRESS AND PARCEL POST 270.21
.30 TRANSPORTATION BILLED TO CUSTOMERS 0.00
.31 PACKAGING AND SHIPPING 4714.71
.32 SAMPLES 0.00
.33 OFFICE:
.1 SUPPLIES AND STATIONERY 1000.00
.2 POSTAGE 0.00
.3 PRINTING AND DUPLICATING 0.00
.4 EQUIPMENT RENTAL 172.61
.5 COMPUTER LINE TELEPHONE CHARGES 102.10
.6 COMPUTER/OFFICE MACHINE REPAIR 0.00
.34 PUBLICATIONS 0.00
.35 INTEREST PAID 0.00
.36 DISCOUNTS LOST 0.00
.37 OTHER 0.00
.38 SPECIAL (CLEARING ACCOUNT) 0.00
.39 MACHINERY AND EQUIPMENT - VT 0.00
.40 BUILDINGS AND IMPROVEMENTS - VT 0.00
.41 MARKETING AND SELLING 0.00
. . . . . 0.00
. . . . . 0.00
TOTAL EXPENSE 5076.46

FEDERAL PRISON INDUSTRIES, INC.
SUMMARY OF EXPENSE (FORM 4)

DIVISION M FOR PERIOD ENDING 8510
PLANT FT INSTITUTION LO

10.00 SALARIES, CIVILIAN	
10110 PERMANENT POSITIONS	000017808.27
10120 NON-PERMANENT POSITIONS	
10121 TEMPORARY	000000000.00
10122 PART-TIME	000000000.00
10123 INTERMITTENT	000000000.00
10130 OTHER PERSONNEL COMPENSATION	
10131 OVERTIME	000001249.26
10132 NIGHT DIFFERENTIAL	000000000.00
10133 OTHER	000000000.00
10140 CONTINGENT ANNUAL LEAVE	000000000.00
10200 PERSONNEL BENEFITS	000002702.35
10300 CONTRACT SERVICES	
10310 SPECIALISTS	000000080.00
10320 OTHER	000000064.35
10400 REIMBURSABLE SALARIES	000000000.00
10500 LABOR, INDIRECT, INMATE	
10510 REGULAR	000001162.69
10520 OVERTIME	000000226.24
10530 OTHER	000000819.10
10600 INCENTIVE AWARDS	
10610 CIVILIAN	000000000.00
10620 INMATE	000000050.00
10630 INMATE SCHOLARSHIPS	000000000.00
10700 EMPLOYEE DEVELOPMENT	
10710 CIVILIAN	000000000.00
10720 INMATE	000000000.00
10800 ACCIDENT COMPENSATION	
10810 CIVILIAN	000000000.00
10820 INMATE	000000000.00
10900 UNEMPLOYMENT COMPENSATION	000000000.00
20100 REGULAR TRAVEL	
20110 ASSISTANCE VISITS	000000000.00
20120 TRADE SHOWS	000001157.06
20130 ADVISORY MEETING	000000000.00
20140 OTHER	000000000.00
20200 TRAINING TRAVEL	

```
          20120 UNICOR
               20211 APECS TRAINING . . . . . . . . . . . . . .  000000000.00
               20212 CONFERENCE . . . . . . . . . . . . . . . . -000000002.00
               20213 FAMILIARIZATION - NEW EMPLOYEE . . . . .  000000000.00
               20214 OTHER UNICOR . . . . . . . . . . . . . . .  000000380.00
          20220 GSA TRAINING COURSES  . . . . . . . . . . . . .  000000000.00
          20230 OTHER TRAINING  . . . . . . . . . . . . . . . .  000000000.00
     20300 PCS EXPENSES
          20310 GENERAL PCS EXPENSES  . . . . . . . . . . . . .  000000000.00
          20320 PCS TRAVEL TO REPORT TO DUTY STATION  . . . .  000000000.00
          20330 REAL ESTATE
               20331 RELOCATION SERVICES  . . . . . . . . . . .  000000000.00
               20332 OTHER REAL ESTATE TRANSACTIONS . . . . .  000000000.00
          20340 PCS TRANSPORT AND STORAGE OF HH GOODS
               20341 TRANSPORTATION OF HH GOODS . . . . . . .  000000000.00
               20342 STORAGE OF HH GOODS  . . . . . . . . . . .  000000000.00
          20350 RELOCATION INCOME TAX ALLOWANCE . . . . . . .  000000000.00
 30100 MATERIALS AND SUPPLIES
     30110 INDIRECT MATERIALS . . . . . . . . . . . . . . . .  000004060.59
     30120 SUPPLIES . . . . . . . . . . . . . . . . . . . . .  000002928.01
30200 INVENTORY/PROPERTY
     30210 FIXED ASSETS OVER./SHORTAGE  . . . . . . . . . . .  000000000.00
     30220 DAMAGED/OBSOLETE PROPERTY
          30221 RAW MATERIALS . . . . . . . . . . . . . . . .  000000213.01
          30222 SUPPLIES  . . . . . . . . . . . . . . . . . .  000000000.00
          30223 FINISHED GOODS  . . . . . . . . . . . . . . .  000000000.00
          30224 FIXED ASSETS  . . . . . . . . . . . . . . . .  000000000.00
30300 GRADING/TESTING/SAMPLES
     30310 GRADING AND TESTING  . . . . . . . . . . . . . . .  000000000.00
     30320 SAMPLES  . . . . . . . . . . . . . . . . . . . . .  000000000.00
```

30400 MINOR EQUIPMENT/MACHINERY REPAIR	
30410 PURCHASE OF MINOR EQUIP/TOOLS	000003580.75
30420 REPAIRS TO CAPITALIZED M AND E - OPERATING	000001286.57
30430 REPAIRS TO CAPITALIZED M AND E - NON OPERATIVE	000000000.00
30440 NON-CAPITALIZED M AND E REPAIRS	000000022.00
30500 BUILDING REPAIRS	000000000.00
30600 UTILITIES	000002199.35
30710 DEPRECIATION, M AND E	
30711 DEPRECIATION, PURCHASED M AND E	000002882.13
30712 DEPRECIATION, DONATED M AND E	000000000.00
30720 DEPRECIATION, B AND I	000000757.19
30800 EXPERIMENTAL EXPENSE	000000000.00
30900 AMORTIZATION OF DEFERRED EXPENSE	000000000.00
31000 RENTS AND ROYALTIES	000000774.40
31100 MAINTENANCE AGREEMENT	000000000.00
31200 TRASH DISPOSAL/DUMP CHARGES	000000000.00
35000 OTHER GENERAL OPERATING EXPENSE	000000000.00
40100 SHIPPING COST BILLED TO CUSTOMER	000000000.00
40200 SHIPPING COST NOT BILLED TO CUSTOMER	000000000.00
40300 OTHER FREIGHT, EXPENSE AND PARCEL POST	000000483.35
40400 PACKING AND SHIPPING EXPENSE	000001046.30
40500 VEHICLE OPERATIONS	
40510 OPERATING EXPENSE	000000125.00
40520 MAINTENANCE AND REPAIRS	000000000.00
40530 VEHICLE RENTALS	000000177.30
50000 OFFICE EXPENSES	
50100 SUPPLIES AND STATIONERY	000000108.76
50200 POSTAGE	000000000.00
50300 PRINTING AND DUPLICATION	000000000.00
50400 EQUIPMENT RENTAL	000000154.63
50500 PERSONAL COMPUTER EXPENSES	000000000.00
50600 PUBLICATIONS, SUBSCRIPTIONS AND DUES	000000000.00
60000 COMMUNICATION EXPENSES	
60100 PHONE CHARGES	
60110 FTS	000000000.00
60120 COMMERCIAL	000000000.00
60200 COMPUTER LINES TELEPHONE CHARGES	000000077.06
60300 TELEX MAINTENANCE AND REPAIRS	000000000.00
60400 OTHER	000000000.00
70100 SPECIAL CLOTHING	000000625.00
70200 SPECIAL MEALS	000000000.00
70300 INTEREST PAID	000000000.00
70400 DISCOUNTS LOSTS	

70410	GOVERNMENT REGULATIONS	000000000.00
70420	OTHER	000000000.00
70500	MARKETING/SELLING EXPENSE	
70510	MARKETING/SELLING EXPENSE	000000000.00
70520	ADVERTISING EXPENSE	000000000.00
70530	TRADE SHOW EXPENSE	000000000.00
70540	DESIGN LAYOUT EXPENSE	000000000.00
70550	PRINTING EXPENSE	000000000.00
70600	BAD DEBT EXPENSE	000000000.00
80100	OTHER EXPENSES	000000000.00
80200	SPECIAL (CLEARING ACCOUNT)	000000000.00
80300	QUALITY IMPROVEMENT PROGRAM	000000000.00
80400	ADP CHARGES (CENTRAL OFFICE ONLY)	000000000.00
80500	AUDIT EXPENSES (CENTRAL OFFICE ONLY)	
80510	INTERNAL AUDITS	000000000.00
80520	DEPARTMENT OF JUSTICE ADJUST	000000000.00
80530	GAO AUDITS	000000000.00
80600	CONTRACTING EXPENSE	000000000.00
TOTAL	EXPENSE	000047240.93

DATA ACCEPTED FOR ACCTS 70.00-70600

Monthly Completed
JOB ORDER REPORT

SUMMARY OF WORK IN PROCESS

Federal Prison Industries, Inc.
Consolidated Cash Reconciliation
For the Month Ended _____

_____ _____
Location ALC

03.31 Operating Cash

Beginning Balance _____

Receipts - SIBAC _____
Checks Deposited _____

Disbursement - Raw Materials _____
Construction _____
M & E _____
DOJ Payroll _____
All Other _____

SIBAC Charge-backs _____

Transfers in (Out) _____

Ending Balance _____

03.39 Special Deposits

Beginning Balance _____

Receipts _____

Disbursements _____

Ending Balance _____

Account 70.1 Balance _____

Combination Settlements:

Deposited by	For	Amount
		$

FEDERAL PRISON INDUSTRIES, INC.

_____

MONTH _____

ANTICIPATED OBLIGATIONS

Value of undelivered FPI purchase orders including all contracts, raw materials, buildings, equipment, etc., not included in Accounts Payable.

Inter-Industry Orders	$ _____
All Other Orders	$ _____
GRAND TOTAL	$ _____

ANTICIPATED REIMBURSEMENTS

Value of unfilled customers' orders, not invoiced or included in Accounts Receivable.

Inter-Industry Orders	$ _____
All Other Orders	$ _____
GRAND TOTAL	$ _____

_____

Chief Industries Accounting Officer

FEDERAL PRISON INDUSTRIES, INC.
ANTICIPATED OBLIGATIONS AND REIMBURSEMENTS
(Form 78)

DIVISION M FOR PERIOD ENDING 8510
INSTITUTION LO PLANT FT

ANTICIPATED OBLIGATIONS:	
INTER-INDUSTRY ORDERS	000000000.00
ALL OTHER ORDERS	000165812.00
GRAND TOTAL	000165812.00
ANTICIPATED REIMBURSEMENTS:	
INTER-INDUSTRY ORDERS	000000000.00
ALL OTHER ORDERS	002436829.10
GRAND TOTAL	002436829.10

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL PRISON INDUSTRIES, INC.
STATUS OR ORDERS REPORT

Federal Prison Industries, Inc.
Report of Vocational and Pre-Industrial Training
For the Month Ended _____
*Location _____

WASHINGTON CONTROL REGISTER

STATEMENT OF TRANSACTIONS
(Classified According to Appropriation Fund and Receipt Account and Related Control Totals)

Standard Form 225
November 1978
DEPARTMENT OF THE TREASURY
2-400
25-102

REPORT ON OBLIGATIONS
(IN THOUSANDS OF DOLLARS)

FEDERAL PRISON INDUSTRIES, INC.
REPORT ON OBLIGATIONS
(FORM 225)

FOR PERIOD ENDING 8510
INSTITUTION LO

		TOTAL TRANS.	WITHIN GOVT.
GROSS OBLIGATIONS BY OBJECT CLASS:			
11	PERSONAL COMPENSATION	000138604	
12	PERSONAL BENEFITS	000024357	000024357
13	BENEFITS FOR FORMER PERSONNEL	000000000	
21	TRAVEL AND TRANSPORTATION OF PERSONS	000003123	000000000
22	TRANSPORTATION OF THINGS	000005035	000000000
23	RENT, COMMUNICATIONS AND UTILITIES	000012001	000000000
24	PRINTING AND REPRODUCTION	000000337	000000000
25	OTHER SERVICES	000008784	000000000
26	SUPPLIES AND MATERIALS	000383736	000005404
31	EQUIPMENT	000000000	000000000
32	LANDS AND STRUCTURES	000000000	000000000
	GROSS OBLIGATIONS TOTAL	000575977	000029761

Federal Prison Industries, Inc.
Report of Construction Projects
For the Month Ended _____

Location _____

Name of Project	RSA#	Authorized		Cost Year to Date FY 85	Total Cost to Date	Balance*	Estimate Completion Date
		Date	Amount				

*Authorized Amount less Total Cost to Date equals Balance

_____
Chief Industries Accounting Officer

Federal Prison Industries, Inc.
Cash Forecast
For the 6 Weeks Commencing

INSTITUTION CODE: PLANT CODE: PERIOD: MMYY
PRODUCT DIVISION PRINTER/TERMINAL ID:
RECEIVABLES OVER 120 DAYS FROM INVOICE DATE $
INVENTORY WRITE-OFFS <CHARGES TO 65.14> THIS MONTH
PRODUCTION INMATES ASSIGNED LAST DAY
AVERAGE PRODUCTION INMATES ASSIGNED
EXPLAIN SIGNIFICANT AND/OR EXTRAORDINARY ITEMS ON THE FINANCIAL REPORTS:

INSTRUCTIONS FOR FEDERAL PRISON INDUSTRIES, INC. FIELD OFFICES' STANDARDIZED FORMAT MONTHLY NARRATIVE REPORT TO CORPORATE MANAGEMENT

HEADING: Each paper should include a heading that clearly identifies:

a. Your location (i.e., Lexington)

b. The Product Division (i.e., Electronics, Plastics and Optics Division)

c. The particular factory (i.e., Cable Factory)

d. The month (i.e., July 1985)

Note: Since these reports are placed in binders by Product Division to facilitate Corporate Management's review with each division manager, please do not write more than one factory on any given page. The reports are tabbed by factory, within the division, and each division's binder is indexed for ready reference by Corporate Management. Each factory's operations narrative is reviewed in conjunction with the corresponding financial report forms for that factory.

1. MONTHLY PRODUCTION

a. Producing for customer orders?

b. Producing for stock (items in constant demand)?

c. Producing excess finished goods?

2. MONTHLY SALES

a. Comparison with projection.

b. Can you suggest new product lines for existing equipment? Vertical integration of competent parts should be considered wherever possible to add to your product line. UNICOR is in constant need of new products of inmates employed and to reduce your reliance upon suppliers (especially for hard-to-obtain items).

3. MONTHLY EARNINGS

a. Comparison with projection.

b. Explain unusually high or low profit percentage.

c. Any net industrial loss shall be explained.

d. Inventory "adjustment" or write-offs, or write-offs of accumulated amounts previously deferred should be explained. Regular review of

all deferred amounts will prevent unpleasant surprises later on.

e. Explain any noticeable trends year to date. If the monthly earnings are fluctuating in the extreme, explain why.

4. INMATE EMPLOYMENT

a. Comparison with projection.

b. Level for efficient productivity?
If too low, explain why.

c. Working overtime or more than one shift?

You should avoid the constant use of first-grade workers in overtime situations, What are you doing about improving the performance of second, third fourth-grade inmates? Are they presently being given the opportunity to share in the overtime work? Using only the "best" workers in overtime situations to "move the product and avoid delinquent orders" is not in accordance with Corporate policy. Obviously, it is the most costly in terms of labor dollars, and it is detrimental to the morale of the lower graded inmates.

d. Affect on sales and earnings and backing of orders, if working overtime or more than one shift.

e. Effectiveness of any pre-industrial training program, and status of any V.T. program.

f. Do you need a review of inmate pay system for any reason?

g. Suggestions for reducing idleness or call outs?

h. What are you doing to reduce wasteful or inefficient work habits, or to improve the quality of products or procedures?

5. STATUS OF ORDERS

a. What is status of oaklog?

b. How many delinquencies exist, what is their dollar value, what caused them and what are you going about it?

6. INVENTORIES (All categories)

a. Explain significant increases (over 5%) in any inventories this month.

b. What is the composition of finished foods, excess to orders on hand, and what needs to be done to sell or otherwise dispose of these balances?

c. What is the status of excess, slow-moving and obsolete raw materials items?

d. What are you doing to receive materials as needed, rather than accepting excessive quantities all at once?

e. Are you ensuring that there is good communication, cooperation and coordination between purchasing agent and factory manager to prevent unnecessary delays in procurement?

7. OVERDUE RECEIVABLES

a. In reporting overdue receivables, please ensure that you are not reporting items prematurely. Sales returns should be properly recorded in your accounts and not reported as receivables again until the products are re-shipped and re-billed. Likewise, partial shipments should not be recorded as overdue receivables if your customer's arrangement calls for billing only upon completion of the order.

b. Proper classification or aging of overdue receivables:

. Normal due-date (30 days from date of invoice.)
. 30 days overdue (60 days from date of invoice.)
. 60 days overdue (90 days from date of invoice.)
. 90 days overdue (120 days from date of invoice.)
. 120 days overdue (150 days from date of invoice.)

Have you been following the collection procedures in the Accounting Manual? If not, why? If you have been following policy, indicate the status of each overdue item in the following categories:

. Itemize all outstanding receivables in excess of $100 and which where 90 days overdue when you referred them to the Product Division (no more than 90 days should be devoted to the collection process at the field level).

. Itemize all receivables in excess of $1,000 and which are 120 days more overdue. Overdue receivables in this category are required to be referred by the Product Division to the Associate Commissioner. This should be accomplished <u>promptly</u>, along with an appropriate collection letter prepared for his signature.

. The field location and the Product Division should explain the status of any item within the respective dollar limitations (up to $1000 for Supertendents and up to $1,000 for Product Division Managers) which have reached 120 days or more overdue.

8. GENERAL SERVICES ADMINISTRATION (GSA) SHIPPING POLICIES

a. Have you been following the procedures requiring you to contact GSA for selection of a shipper?

b. Has this been cost effective?

c. If you have had difficulty with any particular referral, have you advised GSA so the faulty shipper can be removed from GSA's referral lists?

d. Do you have any other comments or questions about GSA's shipping policies?

9. Please describe briefly the status of any construction projects at your location:

a. Approximate percentage of completion.

b. What is the total amount of the project budget?

c. How much has been expended to date?

d. How much money will be spent in the current month (approximately)?

e. What is the progress in relation to planned milestones?

f. What is the expected completion date?

Federal Prison Industries, INC.

STATUS OF APECS

LOCATION_____

REPORT FOR THE MONTH OF_____

All comments pertaining to APECS should be on a separate page or pages. Upon receipt of these reports from all locations, the Resources Division prepares verbatim a consolidated report for the benefit of Information Systems Division, the APECS User's Committee and Corporated Management. Previously, these comments have had to be extracted from the context of other narrative material in many cases. Having the APECS comments submitted on a separate page will facilitate xeroxing and consolidating the feedback from all locations in a verbatim fashion in Central Office.

10. STATUS OF APECS AT YOUR LOCATION

a. Response Time. Different transactions will have different response times because some do more work than others. At different times, the same transaction will have different response times because of competition from other users. Our goal is that at least 80% of the transactions you use have a response time under 10 seconds. Please indicate how well this goal is being met at your institution.

b. Down Time. Down time results from equipment malfunctions at the central site (affecting all users), with the telephone line (affecting 5-6 institutions), with local telephone equipment, and with local hardware (affecting you only). Please indicate your experience this month.

How many times did you have telephone/equipment down time delays and what was the duration?

How responsive was the repair service in showing up at the site and in correcting the malfunction?

c. Calls to Central Office

How can we be more helpful or responsive:

Information Systems Division?

Resources Division?

Product Divisions?

d. Confused About Anything?

Do you understand all the APECS procedures so far?

If not, what questions do you have?

REPORT ON STATUS OF ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC

FPDS-INDIVIDUAL CONTRACT ACTION REPORT (OVER $10,000)

FPDS-SUMMARY OF CONTRACT ACTIONS
OF $10,000 OR LESS

Federal Prison Industries, Inc.
Schedule of Accounts Payable
For the Period Ended _____

Factory _____

Location _____

Special Deposit Liabilities (Agrees with Account 03.99	$_____
All Other Government Agencies	_____
Contingent Annual Leave Payable	_____
All Others (To the Public)	_____
ENDING BALANCE 9-30-	_____

Accured Salary and Benefits

Civilian		Inmates	
Salary	Benefits	Wages	TOTAL

_____
Chief Industries Accounting Officer

IFAMIS REPORT

LOCATION _____ DATE _____

CASH MANAGEMENT

INTEREST PENALTIES PAID	_____
AMOUNT OF BILLS PAID EARLY	_____
NUMBER OF BILLS PAID EARLY	_____
TRAVEL MANAGEMENT	_____
PROGRAM TRAVEL	_____
TRAVEL FOR TRAINING	_____
TRAVEL FOR MEETINGS	_____
RELOCATION TRAVEL	_____
OTHER TRAVEL	_____
UNLIQUIDATED TRAVEL ADVANCES	_____

TRIAL BALANCE

SAMPLE

TRIAL BALANCE

Federal Prison Industries, Inc.
Analysis of Other Income
For the Year Ended September 30, 19

Factory _____

Location _____

Miscellaneous Sales and Cost
(Accounts 53.1, 53.2)

	53.1	53.2	Net Total
Scrap Sales	$_____	$_____	$_____
Sales to:			
Other Agencies	_____	_____	_____
UNICOR	_____	_____	_____
Other*	_____	_____	_____
TOTAL	$_____	$_____	$_____

Other Income (Account 53.3)* _____

Recapture of Donated Property Expense (Account 53.4) _____

ENDING BALANCE 9-30- _____

*This should be broken down further if this amount is material in relation to other Account 53 sub - accounts.

Remarks:

_____
Chief Industries Accounting Officer

Federal Prison Industries, Inc.
Analysis of Machinery & Equipment
For the Year Ending September 30, 19

Factory _____

Location _____

		Machinery & Equipment Account 25
Beg. Balance 10-1-		$_____
Additions:	Purchases	_____
	Donations	_____
	Transfer In	_____
Deletions:	Write-offs	_____
	Transfer Out	_____
	Donated	_____
Ending Balance 9-30		$_____

		Accumulated Depre. Account 80
Beg. Balance 10-1		$_____
Additions:	Depreciation	_____
	Transfer In	_____
Deletions:	Transfer Out	_____
	Write-offs	_____
	Donated	_____
Ending Balance 9-30		$_____

_____
Chief Industries Accounting Officer

Federal Prison Industries, Inc.
Analysis of Buildings & Improvements
For the Year Ended September 30, 19

Factory _____

Location _____

		Buildings & Improvements Account 30
Beg. Balance 10-1-		$_____
Additions:	Purchases	_____
	Donations	_____
	Transfer In	_____
Deletions:	Write-offs	_____
	Transfer Out	_____
	Donated	_____
Ending Balance 9-30-		$_____

		Accumulated Depreciation Account 81
Beg. Balance 10-1-		$_____
Additions:	Depreciation	_____
	Transfer In	_____
Deletions:	Transfer Out	_____
	Write-offs	_____
	Donations	_____
Ending Balance 9-30-		$_____

_____
Chief Industries Accounting Officer

Federal Prison Industries, Inc.
Analysis of Construction
For the Year Ended September 30, 19

Beg. Balance 10-1-		$_____
Additions:	Purchases	_____
	Transfer In	_____
Deletions:	Transfer Out	_____
	Transferred to Account 30	_____
Ending Balance 9-30-		$_____

Note: Transfer In/Transfer Out refers to construction projects carried on the books of another UNICOR factory and/or location.

_____
Chief Industries Accounting Officer

Federal Prison Industries, Inc.
Analysis of Prepaid and Deferred Expense
For the Year Ended September 30, 19

Factory _____

Location _____

Beginning balance 10-1-			$_____
Additions:	Purchase	_____	
	Transfer In	_____	_____
Deletions:	Amortization	_____	
	Write Offs	_____	
	Transfer-Out	_____	
Ending Balance 9-30-			$_____

_____
Chief Industries Accounting Officer

Federal Prison Industries, Inc.
Summary of Inmate Industrial Pay
For the Year Ended September 30, 19

Factory _____

Location _____

(1) Number of individual inmates receiving wages during fiscal year, including pre-industrial. Do not include construction. Each inmate should be counted only once for the year regardless of the number of months paid. _____

(2) Total amount of wages, direct, indirect and accident compensation, paid during the fiscal year. (Do not include construction.) _____

(3) Total number of inmate payments for FY 85. _____

(4) Average number of inmates receiving wages monthly. (Line 3 divided by the number of months in operation.) _____

(5) Average paid this fiscal year. (Line 2 divided by Line 3.)

(6) Total amount of construction wages paid to inmates during fiscal year. _____

(7) Average number of inmates receiving con struction wages during the fiscal year. _____

_____
Chief Industries Accounting Officer

**QUARTERLY REPORT OF REAL PROPERTY
OWNED BY OR LEASED TO THE UNITED STATES**

QUARTERLY REPORT OF REAL PROPERTY OWNED BY OR LEASED TO THE UNITED STATES (Continued)

AGENCY REPORT OF MOTOR VEHICLE DATA

INSTRUCTIONS FOR SPECIFIC LINE ENTRIES

ANNUAL REPORT OF UTILIZATION AND DISPOSAL OF EXCESS AND SURPLUS PERSONAL PROPERTY

INSTRUCTIONS

Federal Prison Industries, Inc.
Mode of Transportation Report
For the Year Ended September 30, 19

Location _____

Common Carrier

Air	$	_____
Train	$	_____
Other (Taxi)	$	_____

Rented Vehicles

GSA	$	_____
Commercial	$	_____

Privately Owned Vehicles $ _____

_____
Chief Industries Accounting Officer

Federal Prison Industries, Inc.
Schedule of Idle Machinery & Equipment
As of September 30, 1985

Federal Prison Industries, Inc.
Inventory Certificate
(Schedule I)

_____ _____
Location Factory

We hereby certify, to the best of our knowledge and belief:

a) That the consolidated inventory of finished goods, work-in-process, and raw materials and supplies on hand at September 30, 1985 amounted to $ _____and was composed of the following:

Finished goods		$ _____
Work in process		
Material in process	$ _____	
Labor in process	_____	
Overhead in process	_____	_____
Raw materials and supplies		_____
TOTAL		$ _____

All of the above inventories are controlled by perpetual records. (If there are any exceptions to this, list section(s) or description).

b) That materials and supplies are priced at cost to Federal Prison Industries, Inc., less all trade discounts, cost being determined on _____basis (give basis of arriving at cost, such as specific identification, moving average, first-in-first-out, etc.)

c) That work-in process has been valued at cost and includes material and such labor and overhead as it has been the consistent practice in prior years to include. That finished goods have been priced at cost determined on _____basis (give basis of arriving at cost, such as specific identification, moving average first-in-first-out, etc.). Finished goods cost includes labor, material, and a fair portion of overhead manufacturing expense, including any revaluation for excess cost caused by lower market value. (Attach a schedule showing any revaluations.)

e) That the amount stated in paragraph (a) are fair and proper valuations of the respective inventories and that there are no material quantities of imperfect or obsolete materials included in the inventory with these inventories, except as noted on separate schedule attached.

f) That all stock included in the inventory is the property of Federal Prison Industries, Inc., and has been paid for or the liability therefor has been set up on the books.

g) That all materials and supplies, purchased parts, and goods purchased for sale or on which title has passed to Federal Prison Industries, Inc., at that date, have been included in the inventory with the exception of a relatively minor amount of materials and supplies in transit on September 30, 19 . Further, that all material-in-transit, the liability for which has been recorded, is included in the proper inventory.

h) That all goods which have been billed to customers or included in cash sales, but not actually delivered prior to October 1, 19 have been excluded from the inventory.

i) That at sometime during fiscal year 19 <u>physical counts were made of the entire inventory</u> as set forth in paragraph (A) above, <u>except as may be noted in Schedule I attached</u>.

j) That inter-industry items of raw materials, including component parts, which are to be incorporated in a product of this industry or to be resold, have been included in the inventories shown in paragraph (A) above and are detailed in Schedule II attached. (If there are no items which are subject to the reporting requirements of Schedule II write none here ( ) and omit Schedule III.)

(Chief Industry Accounting Officer)	(Chief Industry Operating Officer)

Federal Prison Industries
Summary of Inventories
(Includes Finished Goods, Work-in-Process, and Raw Materials and Supplies)
As of

Federal Prison Industries, Inc.
Inter-Industries Inventory Items
As of September 30, 19

Location _____ Factory _____

Description of Inventory Items	Source		Inventory	
(Note)	Location	Industry	Quality	Unit Price
Amount				

TOTAL _____

$

_____
Chief Industries Accounting Officer

Note: List all items by categories, i.e. grommets, locks, desks. If there are no Inter-Industry items, state "None". Inter-Industry items are those which have been manufactured and purchased from one of the industries of Federal Prison Industries, Inc. Do not include purchases from sources other than FPI.

Inventory Certificate
Schedule IV
Page 4 of 5

Federal Prison Industries, Inc.
Summary of Excess and Obsolete Inventory -Raw Materials & Supplies
As of September 30, 1985

Federal Prison Industries, Inc.
Summary of Excess and Obsolete Inventory - Finished Goods
As of September 30, 1985

Federal Prison Industries, Inc.
Summary of Debits and Credits to Other Accounts
For the Year Ended September 30, 198__

Factory _____

Location _____

Debit	Credit	Reason	Amount

_____
Chief Industries Accounting Officer

FEDERAL PRISON INDUSTRIES, INC.
REPORT OF INVENTORY
SUMMARY AND RECONCILIATION

REPORT OF DIFFERENCES IN INVENTORY OF

REPORT OF OBSOLETE EXCESS AND SLOW-MOVING* ITEMS

***See FPI Manual for definition of Slow Moving Items**

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL PRISON INDUSTRIES, INC.

ANNUAL INVENTORY
MACHINERY AND EQUIPMENT

DAILY CASH TRANSACTIONS

LOCATION DATE

RECEIPT

DISBURSEMENTS

DEPARTMENT OF JUSTICE

REIMBURSEMENT TO EMPLOYEE FOR MOVING EXPENSES AND TAX WITHHELD

VOUCHER AND SCHEDULE OF WITHDRAWAL AND CREDITS

* 107. PROCEDURES FOR ESTIMATING FPI MONTHLY REPORTS

1. Reasons. Occasionally field locations may experience delays in reporting financial data at month end. Loss of key staff, an institution irregularity, or a computer failure are reasons why it may be difficult to complete all the reports by the established due date. Nevertheless, the Financial Management Division must have the financial data in a timely manner in order to meet reporting deadlines to Corporate Management, the Board of Directors and other Government agencies. Therefore, procedures have been developed for estimating the Balance Sheet (FPI Form 2), Statement of Operations (FPI Form 3) and the Summary of Expenses (FPI Form 4).

2. Requirements. The following requirements must be met before estimating the monthly reports:

a. Estimates shall not be done routinely. If estimates are required repeatedly in order to meet reporting deadlines, operational problems may be present at that location. In those cases, estimating reports would only compound the problem. Therefore, reports shall not be estimated for more than two consecutive months.

b. Whenever estimated reports become necessary, the Business Manager shall notify the Associate Warden (I&E) or Superintendent of Industries who will in turn notify the Controller (via telephone) requesting permission to proceed. The AW(I&E)/SOI shall also notify the Director of Program Management. Written approval from the Controller (EMC message acceptable) shall be maintained on file in the location's monthly workpapers.

c. Reports shall not be estimated for the month of September, the last month of the fiscal year.

3. Estimating Journal Entries. The major impediment to a timely closeout lies in the area of cost accounting. Other journal entries are generally complete and already posted to the general ledger well before the 12th of the month. It is journal entries 18 and 19 that prevent a business office from timely closing of the books. Thus, this section establishes a method for estimating the cost of goods manufactured and the cost of goods sold. Methods of estimating these journal entries may vary depending upon the type of data already available and the nature of a particular operation. However, as a general rule, the gross profit method will be used to determine a factory's cost of sales. This method assumes a relationship between gross profit and sales. The formulas that follow will be utilized to arrive at journal entry 19. *

a. Cost of Sales Formula:

Last quarter cost of sales / last quarter sales = gross margin*
Gross margin x current month sales = cost of sales

JE 19
51000 Cost of Sales XXXX
15010 Finished Goods XXXX

* Use cost of sales from FPI Form 3, **not** net cost of sales.

For those factories that incur transfer sales, the preceding formula shall be applied by account (i.e., 51000/41010, 52000/42010)

b. Cost of Manufacturing:

Last quarter cost to manufacture/last quarter sales = margin
Margin X current month sales = cost to manufacture

In order to subdivide the "cost to manufacture" figure into the various work-in-process accounts, an additional computation must be completed. That is, a ratio of direct material, labor and overhead to the total work-in-process available shall be computed and applied to the total cost to manufacture as illustrated.

Example:

Accounts	**Material 14010**	**Labor 14020**	**Overhead 14030**	**Total**
Beginning WIP Inv (last month ending)	$ 60	$ 10	$ 30	$ 100
Charges for the Month (journal entries 8,9, 10,12, and 17)	600	100	300	1,000
Total Work In Process Available	$660	$110	$330	$1,100

Cost to Manufacture = $800 (derived from cost of manufacturing formula noted above)

Direct Material	$ 660 / 1100 =	60% X 800 =	$ 480
Direct Labor	110 / 1100 =	10% X 800 =	80
Applied Overhead	330 / 1100 =	30% X 800 =	240
	$1,100	100%	$ 800

JE 18

15010 Finished Goods	800	
14010 Material in Process		480
14020 Labor in Process		80
14030 Overhead in Process		240

c. Although most delays in monthly closeouts occur in cost accounting, occasionally problems may arise elsewhere. The Business Manager, in conjunction with the Financial Management Division, shall address these situations on an individual basis.

4. Estimated Journal Entries. The estimated journal entries shall be posted to the general ledger and the appropriate reports generated. At that time the Business Manager must conduct a review to determine the 'reasonableness' of the reports.

a. Specific attention shall be focused on inventory levels, especially work-in-process and finished goods. The Business Manager shall solicit input from the SOI, Factory Manager and Warehouse person. Are the reported figures realistic? If not, the cost of sales or cost to manufacture amount may need revision.

b. Are there any extraordinary or unusual events or transactions that will have an impact on the profit margin? If so, do the reports reflect it? For example, the Factory Manager may be aware that the product mix for the month may have been more profitable than usual.

5. Reporting Requirements. Upon completion of the reports, the Business Manager shall immediately notify the Deputy Controller in the Financial Management Division that the estimated reports are in the system. The Business Office at the field location shall continue to complete the actual monthly closeout. After the actual journal entries have been finished, the accountant shall post them to the general ledger and reverse the estimated entries. The Business Manager shall again notify the Financial Management Division that the estimated reports have been removed from the system and that the actual reports are in.

*

Part 2

FORMS

200. GENERAL

The list of forms under Index and Retention, in this section, is the approved list of FPI Forms. Not included on the list are Special Purpose/Local FPI Forms which are not standardized for all locations but are approved for local use. Facsimiles and instructions on all forms are contained in Section 8540.

201. FPI STANDARDIZED FORMS

These forms have been reviewed and approved in accordance with this section for use throughout UNICOR. Do not print forms deviating from the original without approval of the Washington Office. When such exceptions are authorized, the newly approved forms shall be included in the Manual in proper numerical sequence. Do not mimeograph or reproduce forms without the approval of the Washington Office. Order an annual supply of all required FPI forms not later than September 1st or each year. Such orders shall be marked "Annual Requirements" in the "Time for Delivery" block.

202. SPECIAL PURPOSE/LOCAL FPI FORMS

1. General

Special purpose/local forms may be required at times. Such forms are solely for additional information. They will not be used to change the format of, reduce the information reported, or change the distribution pattern of FPI Standard Forms. Generally, such forms may be used on a trial basis for up to 6 months before submittal to the Washington Office for review. In such cases, place the word "FPI Form - Tentative" in the upper left corner of the form. These forms must be approved by the Washington Office before they are introduced as a standard form for regular use.

2. Procedure for Washington Review

(a) Product Division or other responsible staff function shall review and approve, then submit a sample of the proposed form to Resources Division in triplicate with a brief statement of its intended use on the reverse side.

(b) Resources Division shall:

1. If approved, assign a number. One copy will be retained for file, one copy returned to the requesting office and one copy forwarded to the Data/Graphics Division for filing and or processing as needed.

2. If disapproved, retain one copy for file and return remaining copies to requisition office. Further instructions or suggestions for a substitute form if any should also be included.

(c) Requesting Office shall:

1. If approved, place the stamped copy in an official file, ring binder or folder as authorization for use of local form. Make such a file available for review by examiners who may make further recommendations or comments at anytime.

2. If disapproved, resubmit with additional justification if you do not agree with Resources Division's decision.

3. Printing

Printing requirements shall be accomplished by the Data/Graphics Division.

203. STANDARD AND OPTIONAL FORMS

Maximum utilization shall be made of Standard and Optional Forms when they will serve the purpose. Order these forms from GSA in accordance with FPMR 101-26.302. A lists of forms may be found in GSA Standard an Optional Forms Facsimile Handbook. The Forms Control and Retention Schedule shall be in accordance with GSA Regulations 3. Appendix B, Subject: General Records Schedules.

204. ENVELOPES

All UNICOR locations shall order envelopes from UNICOR Data/Graphics Division.

205. RETENTION PERIOD

The Index and Retention List, gives the retention period for each FPI Standard Form. Retention periods for special purpose/local forms shall be determined on date of approval. Any form which is attached to another form or becomes part of a file having a longer retention period shall automatically assume the longer retention period.

Regardless of retention period, no record shall be disposed of until an audit had been made by the Department of Justice auditors or until three years have elapsed.

Retention periods for records pertaining to claims and demands on or against UNICOR, shall not begin until such claims or demands have been settled, (For definitions, safeguarding, retention, and destruction of records see Part 3 this Chapter).

206. FORMS CONTROL

Department of Justice Memorandum 134, delegated the authority to establish and maintain a separate forms control program and to identify a plan for periodic reports thereon to be submitted to Congress. A form is defined as a document printed on or otherwise reproduced with spaces provided for fill-in information and descriptive detail. (Form letters and routing slips are included.)

All FPI Forms are controlled by the Resources Division. Additionally, each Field Office shall establish a local control program with a committee to be responsible for revision, local approval, consolidation or elimination of all local forms. Such committee may consist of Superintendent, Business Manager, the head of the department using the form, etc. Recommendations by the Committee shall be referred to the applicable Product Division or staff offices as in the procedure outlined under Special Purpose/Local forms, this section.

To reduce the opportunity for fraud and abuse, the following blank forms will be secured and controlled prior to issuance:

FPI Form 1034 - Control Voucher for Purchases and Services Other Than Personal.

Optional Form 347 - Purchase Order

Inmate Vocation Accrual Cards

SF-1166 - Voucher and Schedule of Payments

SF-1103 - Government Bills of Lading

SF-1169 - Government Transportation Request

207. INDEX AND RETENTION PERIOD

Form No.	Name	Copies To Set	Retention Period
FPI FORMS (For universal use)			
1	Trial Balance		5 years
2	Comparative Balance Sheet		5 years
3	Condensed Statement of Operations		5 years
4	Summary of Expense		5 years
5	Voucher for Inter-Office Transfer of Property and/or Services	4	5 years
6	Door Check Sheet (In and Out) (Inmate)		10 years
7	Shipping Order and Cost of Sales Register		5 years
8	Shipping Order	6	3 years
9	Production Order and Cost Sheet	3	5 years
10	Monthly Completed Job Order Report		5 years
11	Receiving Report	4	5 years
12	Maintenance and Repair Order	3	1 year*
13	Equipment Card		1 year(a)
14	Abstract of Bids		3 years
15	Weekly Finished Stock Report (Original)		1 year*
15a	Weekly Finished Stock Report (Manifold)		1 year*
16	Daily Inmate Assignment Report		1 year*
17	Order Control Card	3	5 years
18	Inquiry Transmittal Letter	3	1 year*
19	Monthly Job Labor Summary		5 years
20	Assignment Card (Locator Card)		none
21	Monthly Inmate Time Sheet		10 years
22	Job Order Register		5 years
23	Yardage Tag		Until material is used
24	Cutting Report	2	1 year*
25	Certificate of Achievement		
26	(Reserved)		
27	Request for Special Authorization	4	5 years
28	(Reserved)		

29	Construction Progress Report		5 years
30	Report of Survey	4	5 years
31	Defective Work/Scrap Report	3	5 years
32	(Reserved)		
33	(Reserved)		
34	Clearance Form	4	3 years
35	Collection Bill Register		5 years
36	Register of Remittances Received		5 years
37	(Reserved)		
38	Inmate Payroll Card (Monthly)		10 years

*Refer to Para. 205 Retention Period

Form No.	Name	Copies To Set	Retention Period
39	Inmate Vacation Request		1 year*
40	Inmate Daily Work Report		1 year*
40a	Inmate Daily Work Report		1 year*
40b	Inmates' Daily Time Ticket		1 year*
41	Inmates' Payroll		10 years
41sp	Inmates' Payroll (Continuation)		10 years
41br	Inmates' Payroll (Special)		10 years
41bsp	Inmates' Payroll (Special) (Continuation)		10 years
42	Certificate of Final Wages		10 years
43	Claim for Compensation-Accident		5 years
44	Yearly Chrono. Work Performance Evaluation Record		10 years
45	(Reserved)		
46	(Reserved)		
47m	Stock Record (Machine)		3 years
47(L)(m)	Stock Record (Machine)		3 years
48	Material Control List		5 years
49	Storeroom Requisition	6	3 years
50	(Reserved)		
51	Summary of Work-In-Process		6 years
51a	Summary or Work-In-Process		none
52	Order Acknowledgment		5 years
53	Quotation Form	7	5 years
54	Special Order Form For Butner Only		5 years
55	Invoice (Original-white)	6	3 years
55b	Memorandum Invoice of Shipment	3	3 years
56	Daily Record of Sales, Shipment and Production		3 years
57**	Labor Estimate/Time Study		1 year*
58	Schedule of Labor Rates		1 year*
59	Monthly Process Cost Summary Sheet		5 years
60	(Reserved)		
61	(Reserved)		
62	(Debit Memorandum)		10 years
63	Report of Inventory-Summary and Reconciliation		3 years
63A	Report of Differences in Inventory		3 years
63B	Report of Obsolete, Excess and Slow moving Items		3 years
64	Physical Inventory (tag)		3 years
65	Delivery Tag		3 years

66	(Reserved)	
66-100(L)(m)	Distribution Register	5 years
67	Annual Inventory Machinery and Equipment	3 years
68	Recommendation for Award of Accident Compensation	10 years
69	(Reserved)	

* Refer to Para. 205 Retention Period

** Hold for one year after change.

Form No.	Name	Copies To Set	Retention Period
70	(Reserved)		
71	Letterhead (3 line)		various(b)
72	UNICOR Mailing Labels (Franked)		none
73	Unit Cost Statement	6	5 years
73(a)	Unit Cost Statement (worksheet)		none
73(pr)	Unit Cost Statement (print shop)	4	5 years
74	(Reserved)		
75	(Reserved)		
76	(Reserved)		
77	Transportation Reserve Register		5 years
78	Report of Anticipated Obligations/ Reimbursements		5 years
79	Status of Order Report		1 year*
79A	Status of Order Report (Manifold)		1 year*
80	(Reserved)		
81	Report of Vocational and Pre-Industrial Training		5 years
82	Job Grading Sheet		1 year*
83	Job Schedule (Not Printed. See Sample Book)		1 year*
84	(Reserved)		
84(m)	General Ledger (machine)		permanent
84(L)(m)	General Ledger (machine)		permanent
85	(Reserved)		
85(m)	Distribution Ledger Sheet (machine)		5 years
85(L)(m)	Distribution Ledger sheet (machine)		5 years
86	Manufacturing Cost Record		5 years
87a	Departmental Payroll Summary		10 years
88	(Reserved)		
89	Request for Purchase	3	5 years
89a	Request for Periodic Purchase	3	5 years
90	Inmate's Industrial Earnings Statement	8	none
91	Check transmittal Slip		none
92	Shipping Tags		none
93	Monthly Pay Card		10 years
94	(Reserved)		
94a	UNICOR (Postage Prepared)		none
95	UNICOR Shipping Label		none
96	Inmate Payroll Change Authorization	3	1 year*
97	Washington Control Register		5 years

98	Daily Register of Prepaid Postage	3	1 year*
99	(Reserved)		
100(m)	Receiving Report Register		5 years
101	(Reserved)		
102	Customer Service Reply Card		

* Refer to Para. 205 Retention Period.

Form No.	Name	Copies To set	Retention Period
102A	Manufacturing Quality Assurance (Stick-on Label)		
103	Customer Service Reply Card (Sign Factories Only)		
104	Customer Service Reply Card (Print Plants Only)		
105	Examination Record		5 years
106	Certificate of Quality Assurance Inspection		3 years
107	Report of Construction Projects		3 years
108	Cash Forecast		3 years
109	Schedule of Accounts Payable		3 years
110	Analysis of Other Income		3 years
111	Analysis of Machinery & Equipment		3 years
112	Analysis of Buildings & Improvements		3 years
113	Analysis of Construction		3 years
114	Analysis of Prepaid & Deferred Expense		3 years
115	Summary of Inmate Industrial Pay		3 years
116	Mode of Transportation Report		3 years
117	Schedule of Idle Machinery and Equipment		3 years
118	Inventory Certificate, Schedule I		3 years
119	Inventory Certificate, Schedule II		3 years
120	Inventory Certificate, Schedule III		3 years
121	Inventory Certificate, Schedule IV		3 years
122	Inventory Certificate, Schedule V		3 years
123	Summary of Debits and Credits to Other Accounts		3 years
299-1	Posting Machine Card		3 years
299-61A	Posting Machine Card		3 years
1034	Control Voucher for Purchases and Services Other Than Personal		10 years

Note: Due to the limited usage of FPI Forms 107-123, they will not be printed or maintained by FPI Print Factories. Make photocopies of the samples from this manual, as needed.

* Refer to Para. 205 Retention Period.

THE NEXT PAGE IS 3-1

PART 3

RECORDS

300. DEFINITIONS

Records include all paid, cancelled and voided checks, books, papers, maps, photographs, or other documentary materials, made or received by UNICOR, in connection with corporate transactions and preserved as evidence of the organization, functions, policies, decisions, procedures, and operations, or because of their informational value.

301. SAFEGUARDING.

All records shall be properly identified, initially filed in secure receptacles, and later stored in available facilities accessible only to authorized persons. The hazards of fire, tampering, and pilfering shall be kept to a practicable minimum.

302. RETENTION.

Because all UNICOR records are either on or attached to forms, records shall be retained in accordance with the retention requirements shown in Part 2 of this chapter, after which they may be disposed of, except that:

1. The retention period indicated applies to the issuing office, unless otherwise indicated. However, when any form is attached to, or forms a part of another form or file having a longer retention period the forms attached thereto shall automatically assume the greater retention period.

2. The retention period for records pertaining to claims and demands by or against the corporation shall begin from the date of settlement of such claims or demand.

3. Under no circumstances shall records be disposed of until Department of Justice examiners have completed audits of the location for the accounting period or three years.

303. DESTRUCTION AND DISPOSAL

Pursuant to 44 U.S.C. 367, and 391c, the GSA regulations Federal Property Management Records include therein an appendix standards and authority to dispose of documents therein. Where applicable, the disposal schedules for FPI records (See Retention Period under Forms)

are based on GSA standards of specific schedules have been obtained for application.

For items not included in this section offices may request specific disposal authorization, otherwise no records shall be disposed of.

GSA Federal Property Management Regulations provide for records transfer for Federal Records Centers. The Resources Division should be promptly notified when any such transfers are to be made. If disposal regulations herein are promptly carried out upon expiration of retention periods, the corporation should have ample records storage space and transfers to such centers should not be necessary.

304. NON-RECORD MATERIAL.

Non-record material for which no authority for disposal is required includes extra copies of documents preserved only for information, reference, or exhibition, as well as publications and processed documents. This type of material should be retained only so long as it serves a definite purpose, with proper consideration being given to fire hazards and economical utilization of storage space.

Appendix 1
Analysis of Fixed Assets.
For the Fiscal Year Ending Sept. 30, 19XX

SECTION 8518

ACCOUNTING DATA FOR THE PLANNING FUNCTION

INDEX

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PLANNING, COORDINATION AND CONTROL PROGRAM

100. BACKGROUND

UNICOR was established and is operated to attain certain basic objectives. To achieve those objectives it is essential that effective plans of operation be developed. Expected results of operation must be expressed in monetary terms through forecasts of income and expenditures and receipts and costs for annual periods. This form of plan or budget differs markedly from common Government agencies whose budget is designed to establish fund allocations that must not be exceeded. (Other programs such as employment quality assurance, and inventory control are also forecast.) UNICOR's budget is a comprehensive plan for coordination and control of all segments of operations; factories, product divisions and corporate activities. It is developed through synthesizing the plans of each segment into a unified plan for the corporation as a whole.

The plan of operation relates to both financial and production management. Its data must be based on historical accounting records, monetary projections, and production forecasts for the planning year.

101. OBJECTIVES

UNICOR's operating plan is designed for internal use and thereby serve management needs. The accounting function provides a data source for planning and <u>necessary</u> information for evaluating plan implementation. The objectives of the operating plan are to provide:

1. A detail and summarized picture of the results to be expected from the productive effort for the planning year.

2. A guide for business and factory managers, superintendents, division management and corporate executives that communicate production expectation in monetary terms at all levels of the corporate structure.

3. A performance measurement tool for management in the evaluation of ongoing corporate activity.

102. REASONS FOR OPERATING PLANS

Effective development of an operating plan assures that sufficient investigation, research and study is accomplished to develop meaningful goals and objectives, staffing needs, cash and physical equipment requirements.

The operating plan supplies unified direction toward the

accomplishment of projected goals and objectives. Inmate and civilian staffing requirements are correlated with projected goals and objectives to assure that reasonable performance will result in accomplishment of projected goals and objectives. Similarly cash requirements are correlated with

projected goals and objectives to assure that sufficient cash will be available when needed. The operating plan projects how the physical equipment available can be effectively used and recommends the action to be taken to obtain additional equipment needs or the action necessary to dispose of equipment items excess to current need.

The planning process provides for coordination among all management levels in its development. That coordination should lead to a well-communicated and well-understood program for the planning year. In addition, an an effective plan provides management with effective basis for controlling operations. Review of actual work performed as compared to the plan will disclose deviations that can be analyzed for break-down that led to the deviation and corrective action to be taken to prevent their recurrence.

103. ADVANTAGES AND LIMITATIONS

In order to implement an effective planning, coordination and control program, certain advantages and limitations in a planning process are worthy of consideration by all contributors and users of the program.

1. The advantages include:

a. Early consideration of basic objectives and policies.

b. Assignment of responsibilities for each function in the production process.

c. Top to bottom participation of all management levels in the establishment of production goals and objectives.

d. Coordination of production plans among all elements of the corporate activity.

e. Putting in writing a course of action that should lead to desired results.

f. Concerted analysis of historical data.

g. Management planning for the most economical use of labor, materials, facilities and capital.

h. Timely, careful and adequate consideration of all factors before making important decisions as to the future course of each organization units activity.

i. Development of a common ground between the desires of corporate management and the reasonable expectations of lower levels of management.

j. A structured approach that promptly discloses failures to achieve goals and objectives.

k. A capability to express problems in relationship to identifiable factors so that common understanding of problem situations can be developed.

l. Timely information that allows management to give adequate and timely attention to significant matters that might otherwise be overlooked.

m. Periodic self-analysis of corporate activity.

n. Continual check on the progress or lack of progress toward achieving corporate goals and objectives.

2. Problems inherent in the planning, coordination and control functions include:

a. The probability of significant error in the projection of future activity.

b. Changing conditions may negate the significance of the developed operating plan.

c. Management conclusions resulting from the analysis process may may not be consistently correct and the proposed corrective action not solve the problem.

104. DEVELOPMENT OF AN OPERATION PLAN

Development of an operating plan must be a well-coordinated process involving all levels of management.

1. Corporate management must determine and communicate its goals, objectives and strategic assumptions for the planning year.

2. All corporate divisions and functional units make forecasts based on corporate management requirements tailored to their own particular function.

3. Field units must make forecasts based on division and functional unit plans tailored to their production resources and capabilities.

4. Planning inputs shall include data concerning:

- civilian staff recruitment
- forecasts of sales, earning, inventories, and inmate employment
- actions planned for marketing its products to meet corporate management's goals and objectives.
- other data as requested

Plans should also include any new initiatives and a narrative description of any level assumptions incorporated into the planning process.

5. The Resource Division is responsible for the consolidation and formalization of plans after submission. They shall assure that the plan is sufficient to meet corporate goals.

The corporate planning process is explained in Section 8030 of the UNICOR Corporate Policies and Procedures Manual.

105. COORDINATION

The coordination of effort in implementing UNICOR's operating plan is an essential element of the planning process. The greatest resource available to UNICOR is the human effort. That effort must be directed to specific objectives and must be coordinated among all organizational elements to be effective. To merely plan future operations without effectively communicating those plans to operating units defeats the purpose of the planning process. Coordination must be considered from the standpoint of both internal resources and external conditions. Available information concerning resources and conditions must be made common knowledge to all participants in the planning process.

The operating plan serves as a very important means of communicating expectations. Such communication must effectively explain Division and Corporate Management adjustment of the plans submitted by the operating units. Factory managers cannot be expected to supply meaningful operating plans if they conclude that their submissions will be arbitrarily changed in the follow-on review.

Operating units should be advised that they will not be held responsible for factors beyond their control such as failure to provide production orders to the extent projected; curtailment of planned civilian or inmate workforce due to uncontrollable events; or unprogrammed changes in economic conditions. However, they should be aware of the fact that they will be held responsible for controllable factors. Such awareness may create a tendency to develop operating plans that can be easily accomplished and not provide adequate challenges for an efficient production effort. It will be the responsibility of division and corporate management in operating plan review and analysis to assure that each factory plan provides a reasonable challenge for each operating unit.

106. CONTROLS

Operating plans provide an effective production control mechanism. Ongoing comparison of actual production with operating plans keeps management informed as to the progress being made or not made toward achieving corporate goals and objectives. Corrective action can be promptly recommended and taken to redirect productive effort that is not achieving projected goals and objectives.

Control is exercised by people. Mere development and communication of

a plan will not assure its effectiveness. Studies reveal that budgeting (development of an operating plan) is an of the best approaches for obtaining coordination of the various factors essential to the success of

a production activity. Control in UNICOR's planning process involves factory management review and analysis of available data to identify what can be done to meet commitments, or establish justification for deviations from operating plans. Division and Corporate Management must assume an active role in the control phase of the planning process. Production reports must be reviewed, analyzed and compared to operating plans. Significant deviations must be accounted for as justifiable or in need of prompt corrective action. Field visits may be required to obtain sufficient information to propose or explain the action that must be taken to correct identified deficiencies. The results of the review and analysis process must be documented to supply an audit trail and serve as reference material for repeat deviations, future development of operating plans and evaluation of recommended corrective action taken.

The operating plan is developed as a forecast document and as such deviations from the plan and actual operations are expected. Nevertheless, the operating plan should have a sufficient degree or reliability to serve as an effective guidance and control tool for the forecast year. Explainable or unjustifiable deviations should not necessarily give rise to an adjustment of the plan. However, if the operating plan is not serving as an effective guidance or control document in view of changed conditions or deficient forecasting a revised operating plan should be developed and communicated.

Control embraces all segments of the operating plan; cash management, profit and loss estimates, production job cost estimates, equipment acquisitions, and corporate administrative and vocational training expenditures. Common sense departures from the plan are not cause for concern; but unjustifiable deviations must be promptly analyzed and corrective action recommended and implemented. Operating plan control cannot be a mechanical process but requires responsive action in review, analysis, recommended and imple-implemented corrective action.

107. RELATIONSHIP OF BUDGETING TO ACCOUNTING

Since planning cuts across all segments of an organization, it is clearly a management function. Nevertheless, the process is related to and based in part on information developed and processed through accounting records. Procedures must be developed to correlate planning data with operating data so that meaningful plans are developed and operating controls are effectively implemented. Classification of accounts must be common to both the planning document and the accounting records. The functions of accounting in the planning process includes:

. Equating to all planned transactions in term of;

a. Revenues, costs and profit
b. Financial position at the end of selected periods
c. Sources and applications of funds
d. Cash flow through estimated receipts and disbursements
e. Expenditures for specific items in the planning process i.e., equipment, administrative expenses, vocational

training, travel, etc.

- Identification of the effect of alternative courses of action being considered in the planning process

- Effective reporting of performance as compared to the operating plan

108. LONG-TERM PLANNING

Long-term planning is particularly needed for such items as changes in factory lay-out, significant changes in manufacturing methods, addition of new products or deletion of old, and investment in new plans and equipment. UNICOR needs to consider these items for five and ten year periods so that modernization programs and product changes are timely considered and factory productive activity keeps pace with current methodology.

This function should be an ongoing activity from the standpoint of soliciting input from all management levels. The formal planning will be an updating process of eliminating items from five and ten year plans that are not determined to be feasible and adding new items determined to be feasible and warranted.

Responsibility for UNICOR's long-term planning process lies with UNICOR's plans and Policies Division. Formal procedures must be established for factory, Division and Corporate Management input into the long-term planning process. Such input must be an on-going activity or creative and state of the art ideas will not be brought to the attention of the plans and Policies Division. When factory managers are made aware of a new machine, a new product or a new production method that is appropriate for their operation the Product Line Division should be advised so that the idea may be researched and if appropriate added to the agenda for periodic (at least annual) long-term planning meetings.

Discussion of long-term plans should be an additional function of UNICOR's Executive Committee meeting that establishes UNICOR's goals and objectives for the annual planning year. Discussion of the researched ideas submitted during the year will establish their acceptability, merit and consistency with goals and objectives of the corporation. In some instances a proposal may be of sufficient significance to warrant immediate implementation and, therefore, be incorporated into plans for the forecast year.

As a result of these discussions the Plans and Policies Division can update their long-term plan, formalize it for executive management approval and effectively communicate the plan as an advisory to division and factory

management so that they can be made aware of the general direction toward which the corporation is headed.

109. BUDGETING

The Resources Division is required to prepare and submit the annual

budget for UNICOR in accordance with Office of Management and Budget (OMB) and Department of Justice (DOJ) annual instructions. Budgets are submitted by object classification for (a) total transactions of the fund and (b) each limitation for which there is a separate program or financing schedule. UNICOR spending for Administrative Costs and Inmate Vocational Training are under Congressional spending limitations and require preparation of separate budget schedules.

Administrative Costs are all expenses related to the operation of corporate headquarters. Costs, associated with Product Division expenses or field operations are not included and are not subject to congressional limitation.

Inmate Vocational Training costs are those related to training inmates but are not directly related to any UNICOR operations. Nevertheless, UNICOR has agreed to fund these activities. Funding levels are recommended by UNICOR.

110. REPORTING OBLIGATIONS

1. The UNICOR accounting system is designed to report each month to the Department of the Treasury gross obligations by object class. Each obligation's document issued by UNICOR contains an accounting code which identifies the general ledger control account, and in the case of nominal accounts, it also controls subsidiary accounts which can be converted to OMB object class for reporting purposes. These codes are outlined in section 8501, Chart of Accounts and Accounting Classification Codes.

2. This data is reported on SF-225, Report on Obligations, by each location, transmitted to the Resources Division each month with regular reports, consolidated at the Resources Division, and submitted to Treasury.

3. The financial data for this report is obtained from the current year general ledger transactions and the FPI Form 4, 5 and 78. Further instructions are contained in Section 8540.

111. UNICOR FUNDS SUBJECT TO LIMITATION AND THEIR CONTROL

Limitations recommended by UNICOR are based on a planning/forecasting of operations including the mission, goals and objectives of UNICOR. The budget includes anticipated requirements for continuing activities as well as addition or modernization of programs.

Administrative Costs are monitored by the Resources Division through analysis and comparison of the Monthly Summary of Expense (FPI Form 4) for this function. All variances from the approved budget are reported to the

Deputy Associate Commissioner for

for action. Section 8506, Part 11, Cost Reporting.

Vocational Training funding is allocated by institution and program as determined by the BOP Supervisor of Education. Administration and Control of spending and reports is accomplished by UNICOR field business offices. Spending and budget comparisons are prepared and reported by these offices monthly using the FPI Form 81, Monthly Report of Accrued Expenditures, Vocational Training and Employment Placement Activities as required in Section 8520, Training and forwarded to the BOP Supervisor of Education and Resources Division for review.

SECTION 8519

AUDIT ACTIVITY

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Appendix A: Flow of Audit Report Procedures

AUDIT ACTIVITY

100. INTRODUCTION

The purpose of an audit is to provide a critical review by independent objective professionals who have an authority to identify and report on deficiencies in governmental operations. Audits are frequently classified as one of three types and the scope of the auditors' assignments may encompass one, two or all three of these classifications.

a. Audits may be assigned to determine the degree to which an auditee has accomplished assigned goals and objectives.

b. The assignment may be to determine the efficiency and economy achieved by the auditee in conducting assigned activities.

c. Assignments may be confined to determining the auditee's compliance with higher level of management's documented policies and procedures along with determining the adequacy and effectiveness of controls designed to prevent fraud, waste and mismanagement.

Careful examinations and tests of available data are required to obtain documentary support for all conclusions reached, regardless of the type or scope of audit performed.

Audits of UNICOR operations are performed by the General Accounting Office (GAO), Department of Justice Audit Staff and UNICOR's internal auditors. GAO and Department audits provide external audit reviews, that is, review by professionals from outside UNICOR thereby being wholly independent of control by any level of UNICOR management. UNICOR internal auditors have a lesser degree of independence as corporate management can control the type of review made and the content of published reports. Nevertheless UNICOR internal auditors carry out their assignments with a substantial degree of independence as they are not controlled by the level of management reviewed.

101. GENERAL ACCOUNTING OFFICE (GAO)

The Comptroller General of the United States is charged with the responsibility of performing audits of the accounts and records of UNICOR and making periodic reports to Congress as to the financial position of UNICOR (P. L. 93-604). GAO audits result in the certification of UNICOR's financial statements. While UNICOR management is provided with an opportunity to review GAO's findings before publication, reported matters are not changed unless corporate management can product additional relevant information or demonstrate an obvious mis-interpretation of the facts by

GAO.

GAO auditors review activities at the Washington office and selected field locations before issuing their reports. Scope and schedule of audits are determined by GAO in coordination with the Department of Justice Audit Staff; and UNICOR. (DOJ Order 2900.3A). (F. P. S. 1210.1). Audit Reports of the Department of Justice and

UNICOR's internal audit unit are made available to GAO auditors and their content is considered by GAO Auditors in determining GAO's areas of review.

102. DEPARTMENT OF JUSTICE AUDIT STAFF

The Director, Audit Staff, Department of Justice, is charged with execution of the Department audit responsibilities under the direction of the Assistant Attorney General for Administration. (28 CFR 0.75 [h], 0.76 [t]. (DOJ Order 2900.1B)) The primary purpose of audits by the Department of Justice is to provide assistance to UNICOR officials at all management levels in effectively managing their programs and functions. They review field, division and Washington office operations, make critical evaluations, report conditions, and recommend changes or corrective actions. Audits include reviews of the reliability of financial statements; evaluations of the efficiency and economy of management programs and functions; review of the internal control system and the effectiveness of its implementation; determinations as to whether program objectives are being met and producing desired results; and compliance with applicable statutory laws, rules, regulations, and departmental and organizational policies and procedures.

DOJ's annual audit schedule is worked out in conjunction with UNICOR management. An effort is made to avoid UNICOR internal audit activity and DOJ audit activity at the same location during a fiscal year. DOJ's procedure for advising a location of pending review is a telephone call directly to the Warden of the Institution. The Resources Division will circulate DOJ's audit schedule for a fiscal year. However, there can be no assurance that deviations will not be made from that schedule. Field locations must be prepared for the DOJ auditors whether they receive adequate advance notice or not.

DOJ auditors hold an exit conference and discuss their tentative findings with field location officials before leaving the site. After leaving the field site the DOJ audit report is drafted and made available to UNICOR management for comment within a specific number of days. The draft report processes through the Commissioner, Associate Commissioner, and Deputy Associate Commissioner. Personnel in the Office of the Deputy Associate Commissioner forward copies of the draft report to the Controller and the Office of Inspections. The Controller's office prepares a letter of transmittal for the signature of the Associate Commissioner soliciting a response from the auditee field location. At the same time, copies of the report are forwarded to the cognizant Product Division Manager(s) for response to relevant findings, and information copies are sent to the Corporate Audit Staff. The Controller's office coordinates the receipt of all responses and prepares a consolidated response to DOJ. That response is based primarily on input from the field location audited and any input

received from other organizational elements to whom any audit findings and recommendations were directed. The field location copy of the report is directed to the Superintendent of Industries but processed through the Warden. A

response for each finding in the draft report must identify the corrective action that has been or will be taken implementation dates supplied. If the audit finding is considered to be in error the Superintendent must supply adequate documentary support for taking exception to the finding. In those instances where the Superintendent is in agreement with the finding but lacks the resources or the authority to take recommended action he must clearly state his position and provide necessary support documentation. The Controller may solicit additional information if the response is deficient or unclear.

DOJ audit will be contacted for clarification of any questionable items brought to the attention of the Controller. Such clarification may require the formality of a close-out conference if problems cannot be readily resolved through telephone contact.

Acceptable responses are formalized by the Controller and forwarded for approval to the Deputy Associate Commissioner and the Associate Commissioner. The approved response is then forwarded to the Commissioner for signature and submission to DOJ audit. Copies of the signed, formal response are sent to the Internal Audit Unit, the Office of Inspection, the applicable Product Divisions and the Superintendent of the audited field location as advisory of commitments made and the type of corrective action taken or to be taken. The field location reviewed and applicable division have a need to know the extent to which their response has been accepted or revised in order to comply with the commitments made. Other organizational elements need to be advised as to UNICOR's response so that they can incorporate the philosophy projected into their operations. For example UNICOR's Internal Audit Unit may need to expand their audit program to incorporate areas of deficiency disclosed or may need to include follow-up on proposed corrective action. The Office of Inspection may determine a need for investigation of the situation as finalized. The need for such an investigation may not have been apparent based upon their copy of the DOJ draft report. (The flow of draft report procedures is diagrammed in Appendix A.)

Upon receipt of UNICOR's approved written response to the draft report DOJ's Audit Staff will prepare a final report and will include UNICOR's response to draft findings. DOJ's final report may require further corrective action on the part of UNICOR. If so, UNICOR must provide an additional response. Any response required for final report items that were not previously covered will be provided by the Controller. The procedures followed for the final report response will be the same as for the draft report response.

DOJ audit reports will not be cleared until positive corrective action has been taken on all discrepancies reported.

103. UNICOR'S INTERNAL AUDIT PROGRAM

The UNICOR Internal Audit Unit executes its responsibilities under the direction of the Deputy Associate Commissioner. The policy of UNICOR is to maintain an audit program which will supply information that will assist management in effectively managing the various programs

and functions of UNICOR. The Internal Audit Unit is assisted in their examinations by field and management personnel having expertise in areas to be audited. Management personnel at field, Division and Corporate levels are expected to cooperate fully in meeting the needs of the UNICOR Internal Audit Unit.

1. Organization. Independence and objective are essential to the effectiveness of the audit program. This is obtained primarily through organizational status and reporting level of the auditors. Therefore:

a. The UNICOR auditors are under the direction of the Deputy Associate Commissioner, Federal Prison Industries, Inc. The staff is comprised of two permanent staff members. Additional assistance is obtained from field and divisional staff as required.

b. The audit unit does not develop procedures, prepare records, install systems, or engage in any operational activity which they would normally audit.

2. Parameters. The following are the parameters under which the audit program will function.

a. Each UNICOR corporate, division and field activity will be audited triennially. The schedule will be coordinated with the Department of Justice audit schedule to insure maximum coverage and usage of audit resources. Special audits may be conducted at any time as directed by Corporate Management. Division and field locations are encouraged to request reviews if a need exists.

b. The following programs will be used as minimum guidance in the performance of audits:

. Field operations will be audited utilizing functional guidelines and UNICOR's Field Audit Checklist (See P.S. 1210.2, Management Audits Manual, Tab 8000).

. Corporate programs and division offices will be audited utilizing functional guidelines and UNICOR's Corporate/Division Audit Checklist (See P.S. 1210.2, Management Audits Manual, TAB 8000).

c. UNICOR audits will address the financial, operational and

program areas of UNICOR. Functions subject to review are:

- Financial/Operational:
  General Ledger Accounts
  Vouchering Property
  Management/Inventory

Procurement
Cost
Production Scheduling/Control
Pay - Civilian/Inmate
Marketing
Planning
Pricing

. Programs:

Personnel - Civilian/Inmate
Safety and Sanitation
Energy Conservation
Quality Assurance
Industrial Relations
Staff Visibility
Training - Civilian/Inmate
Utilization of Inmate Manpower

3. General Audit Procedures.

a. Preliminary planning and research by the audit staff of the organization to be audited is essential to effectively complete the audit on schedule. The audit approach to be used to accomplish this will be:

. Internal Audit Unit will review prior audit findings (GAO, DOJ, and Regional Program Review Reports) and current financial reports to identify any functional areas requiring special emphasis during the audit. Resources Division, Product Division and Corporate Management will also be consulted to determine if they have any special requests.

. Field/Division staff detailed to assist with an audit will be notified in advance of the functional areas for which they will be responsible. Each member should become familiar with their assigned areas prior to the audit.

b. Adequate review of functional areas during the audit will involve:

- Review and appraisal of the soundness, adequacy and application of accounting, financial and other controls.

- Ascertaining the extent of compliance with established programs and policies.

. Ascertaining the extent to which Corporation assets are accounted for and safeguarded from losses.

. Ascertaining the reliability of management data developed within the organization.

The scope of review will be determined by the Internal Audit Unit based upon preliminary review and initial findings in each area.

c. The results and recommendations of the audit will be discussed with auditee management official at a close-out conference to assure that situations and conditions to be reported are factually correct. The results of the audit will be promptly presented in draft from to the Deputy Associate Commissioner with copies of the draft report forwarded to applicable Division Managers for their review in preparation for close-out with the Associate Commissioner. Upon approval of the Associate Commissioner a final report will be prepared for the Associate Commissioner's signature with copies sent to management personnel who are expected to take corrective action and other management officials who may need to be informed as to the report content.

d. Replies to all audits will be made promptly, but not later than 30 days following the date of the final audit report and in detail to the Associate Commissioner, with a copy to the Resources Division and concerned product division manager, for review and evaluation. All directives must be resolved within 30 days of the date of the final audit report otherwise a plan of action must be submitted in accordance with P.S. 1210.2 stating how and when the required corrections are to be made. Any plans or actions taken to correct reported conditions will be evaluated by corporate staff for adequacy. All audit discrepancies must be resolved within six months of the date of the final audit report. No audit report will be closed until positive corrective action on each discrepancy is reported.

e. The Warden being the Chief Executive Officer of the Institution and the Superintendent being the Chief Executive Officer of UNICOR at the location, will be consulted by the examiner in charge concerning any violations of the law, regulations or instructions, as well as any improper procedures, methods or conduct. Likewise, these officials should be advised as to any unusual or outstanding meritorious service or practice which contributed to increased earnings or improved operations.

4. It is the responsibility of the Internal Audit Unit to assure that the objectives of operating management's audit program are effectively accomplished through;

a. Evaluating management's ongoing review of operations, internal controls and financial and production reports.

b. Appraising the adequacy of actions taken by management to correct reported deficient conditions, and continuing follow-up with management on actions considered inadequate until there has been a satisfactory disposition of the matter.

c. Monitoring submission of field and division review reports and evaluating them for adequacy and objectivity.

d. Publishing annual reports concerning common problems and repeat deviations reported during recent audits, and areas of special concern to UNICOR management. Copies of such reports shall be sent to concerned UNICOR activities.

Note: DOJ Audit also issue an annual summarization of common problems reported during the audit year. This information shall also be sent to concerned UNICOR Activities. For maximum effectiveness, the summaries of the UNICOR Audit Staff and the DOJ Audit Staff should be coordinated internally and circulated simultaneously.

104. AUDITEE COOPERATION

Personnel of all organizational elements being audited are expected to provide full support and cooperation to the auditors whether from GAO, DOJ or UNICOR. This cooperation includes freedom of access to all UNICOR activities, records, property and personnel. Prompt consideration of findings and recommendations must be assured along with the implementation of appropriate corrective action as necessary.

105. MANAGEMENT REVIEWS

While management reviews are accomplished by personnel with a vested interest and do not fall within UNICOR's definition of an audit they are expected to accomplish similar results. These reviews are an on-going function and the formality of a written report is required with copies made available to all officials with a need to know. The purpose of this section of the manual is to establish the degree of report formality required.

1. Production Job Reviews. FPI Form 9, Production Order and Cost Sheet provides a section "Cost Summary" that is designed to facilitate review of the success or failure of each production job. As noted in page 3-32 of UNICOR's Cost Accounting Manual, Factory Managers are required to make a detailed review and analysis of this summary and explain any favorable or unfavorable production variances.

2. Monthly Financial Reviews at the Institutions. Monthly re-

views of operations are required in page 2-3 of the Cost Accounting Manual involving the Superintendent, Business Manager, Factory Manager and other concerned personnel. Special attention must be given to FPI Form 9 reported results. Minutes of these meetings are required with copies forwarded to the Resources Division and applicable Product Divisions. Substantive commentary is essential to making these reports a viable management tool. They provide a necessary means of communication between the factories, Divisions, and Corporate management. Corrective action decided upon should be explained. Procedural areas requiring Division or Corporate management consideration must be reported. Statistical data already available in financial reports should not be repeated although reference to financial report data may be required to clarify a reported problem area. These meetings must be held before the 15th of the following month with results reported to the Divisions and Corporate Headquarters by the 20th of the month. Minutes of each month's review of questions facilitates Division preparation for monthly reviews with the Associate Commissioner.

3. Division and Corporate Management Reviews. By the 25th of each month Divisions and Corporate Management discuss general program issues and review key operating statistics for each factory. The results of Division/Corporate meetings as related to each factory are to be transmitted to the field locations by the 30th of the month. Each quarter, Division and Corporate Management make a more in-depth review of factory financial operations than those accomplished at monthly meetings. Quarterly meetings should be held by the 30th of that month with the results of these meetings promptly disseminated to the factories as applicable.

4. Field Location Internal Reviews. Field locations personnel will conduct internal reviews each fiscal year when not audited by UNICOR or DOJ auditors. The Field Audit Checklist's will be used as minimum guidance. A formal report concerning the review will be compiled with copies forwarded to the Associate Commissioner, Federal Prison Industries; Internal Audit Unit; Resources Division; and Product Division(s) for review. If a field review is not required during a particular year, a memorandum will be forwarded to the Associate Commissioner stating the reasons why an audit was not required. The Superintendent of Industries is responsible for the local internal audits. To the greatest extent personnel assigned should have expertise in areas to be reviewed.

5. Division Field Reviews. Each Product Division will conduct a production review of its assigned factories biennially. The review guideline developed should include subjects/items of special interest or concern to division management but should not duplicate DOJ or UNICOR internal audit activity. Copies of Division Field Review reports will be

forwarded to the Deputy Associate Commissioner; Internal Audit Unit; and Resources Division for review and edification. Copies of Division reports that may be of interest to other Product Divisions or Corporate Management shall be routinely transmitted to those offices.

Product Division personnel must file a report on routine field trip visits. Those reports shall be maintained in Division files and be available for Division biennial production reviews, and UNICOR Internal or DOJ Auditor Review.

6. Quality Assurance Reviews. The Corporate Quality Assurance Manager is responsible for conducting program audits to assure compliance with UNICOR's Quality Assurance Manual. These audits are to be performed in conjunction with Division Quality Assurance Managers to the extent possible. Vendor performance records, customer complaint logs, inspection sheet files and defective work/scrap reports will be reviewed and evaluated. Copies of quality assurance audits will be transmitted to applicable Product Division officers and to corporate management.

The Corporate Quality Assurance Manager shall also prepare special reports pertaining Quality Assurance problems brought to his attention. A file of regular audit reports shall be maintained by Division and Corporate Quality Assurance managers for their ongoing review and review by UNICOR internal and DOJ Audit and GAO personnel.

APPENDIX A

Flow of Audit Report Procedures

SECTION 8520
TRAINING
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PART 1

INTRODUCTION

100. INTRODUCTION

UNICOR provides formal training programs for inmates through the UNICOR pre-industrial training program and funding of some BOP vocational training and vocational training experimental programs.

The UNICOR pre-industrial training program is designed to provide vestibule or pre-entry job training related to industrial operations at an institution. These programs are established with the expectation that they will provide the skills required for specific industrial operations and increase their productivity and quality of work upon assignment to a UNICOR operation.

Vocational training and vocational training experimental programs are organizational components of the Bureau of Prisons. Vocational training programs include training for inmates in industrial, trade, business or service occupations. The vocational training experimental programs are designed to test the viability and effectiveness of training programs for inclusion in the formal inmate vocational training program in the future. The information in this chapter is included in the UNICOR manual because these programs are funded by UNICOR.

PART 2

UNICOR PRE-INDUSTRIAL TRAINING

200. GENERAL

Many inmates who begin work in UNICOR shops and factories lack work and safety habits and any basic knowledge of the work to be performed. These shortcomings can impede the smooth integration of the inmate into the work force, lower productivity rates, or create serious safety hazards for themselves and their co-workers.

Several UNICOR locations have used pre-industrial training programs to ensure that the inmate had a rudimentary set of skills before his entry into regular factory work. This training has also been called vestibule training to indicate that it occurs before the inmate enters the general work routine of the factory.

Pre-industrial training prepares the inmate to take his place in the work setting as a safer, more productive and knowledgeable worker. UNICOR encourages the use of pre-industrial training programs wherever such training will provide these benefits to the inmate worker and to the factory.

201. REQUEST AND APPROVAL

After consultation with the Warden, the Superintendent of Industries may develop a proposal for a pre-industrial program. Consultation should also take place with the institution's Supervisor of Education to insure that a structured, competency based curriculum is used for the program and that multi-media instructional methods are used.

The outline of the program should be put in narrative form and submitted. The request for funds shall be made on an accompanying RSA. Include a listing of all resources needed to put the program into effect, program evaluation criteria and the total amount of money required.

Copies shall be sent to:

- Manager of Industrial Programs, UNICOR, Central Office
- Affected Product Division or staff office
- Educational Administrator, BOP, Central Office (if involved in the program)

The Manager of Industrial Programs shall coordinate the response by all affected departments.

Upon completion of testing period for approved programs, they will be evaluated and a determination made whether they will become permanent programs.

202. INMATE PAY

Inmates will be paid 4th grade wages during participation in these programs.

203. ACCOUNTING

All expenses of these programs shall be charged to Pre-industrial Training Expense Control, Account 66, using the sub-accounts in paragraph 103, Section 8501. Machinery and equipment purchased for these programs and controlled and capitalized in accordance with the instructions in Section 8508, Fixed Assets.

204. PROCUREMENT

All contracting and procurement will be accomplished through the UNICOR contracting officer or procurement agent in accordance with applicable federal procurement regulations.

Approval of an RSA in which a particular vendor or contractor is mentioned does not imply approval of that particular vendor or contractor for the project. Approval signifies acceptance of the program concept.

PART 3

VOCATIONAL TRAINING

300. GENERAL

Vocational Training (VT) is an organizational component of BOP. The information in this chapter is included in the UNICOR Accounting Manual because vocational training in some institutions is funded by UNICOR. This funding is subject to Congressional Limitation and/or Administrative Limitation as approved by the Board of Directors.

The Administrator, Education Section, Central Office and counterpart personnel at the regional and institution level have the responsibility for formulating, establishing, and operating vocational training programs. These programs should be integrated as closely as possible with existing industry operations, institutional shops, farm enterprises, and UNICOR maintenance and construction projects.

The UNICOR Controller is responsible for the administrative control of funds including review and approval of final allotment authority and apportionment scheduling.

The UNICOR Superintendent of Industries at each field location monitoring a program is responsible for the administrative control of funds including review and approval of procurement and contracting actions, budget review and accounting control, classification and reporting.

301. TYPES OF PROGRAMS

1. Permanent Programs - Those vocational programs permanently established and funded through UNICOR. Program funding includes basic civilian salary, related salary and operating expenses subject to Congressional limitation.

2. Experimental Programs - Those vocational programs established on an experimental basis to evaluate and test possible training programs for permanent funding. These programs are evaluated at the close of specified test periods to determine their effectiveness and whether they should be continued as an experiment, made a permanent program or discontinued. Program funding includes operating expenses and related equipment requirements subject to Congressional limitation.

3. Buildings and Improvements, Machinery and Equipment - UNICOR reviews and approves funding requests for machinery and equipment, and building and improvements for vocational training programs annually, based

on recommendations of the Education Administrator, BOP, Central Office.

Office. Allocations are made to each VT program based on program and priority requirements. These funds are not subject to Congressional limitation, but are subject to administrative limitation as approved by the UNICOR Board of Directors.

302. BUDGET AND ALLOTMENT CONTROLS

1. Permanent Programs, Machinery and Equipment, Buildings and Improvements - The Supervisor of Education at each institution shall submit a consolidated budget in duplicate on FPI Form 81 to the Education Administrator no later than April 30, of each year. The budget estimate shall include personal services and operating expenses for Permanent Programs subject to Congressional limitations, as well as machinery and equipment, construction and improvements which, although not subject to Congressional limitation, are subject to administrative control. Explain differences between the current year budget and the requested budget in a brief narrative. Justify machinery and equipment items individually. Include the recommended quarterly apportionments for those items subject to Congressional limitation.

After the Education Budget Committee has evaluated and approved the program budget for each institution, the Director of Education shall submit to the Deputy Associate Commissioner, Financial Management, and the Associate Commissioner through the UNICOR Controller, a consolidated summary of the budget request for approval. Upon approval of the Congressional or administrative limitation as applicable, an FPI Form 81 will be prepared for each institution by the BOP Education Administrator for each request. If disapproved, a letter giving reasons will be forwarded. Notification for approved programs will include the funding level by quarter and type of program, equipment or construction project. These will be forwarded through the UNICOR Controller for approval and signature attesting to the availability of the funds.

One copy of the FPI Form 81 shall be kept by the UNICOR Controller, who is responsible for the administrative control of the funds. He shall establish and maintain records in conjunction with UNICOR field offices to ensure that allotments are not over-obligated and are within the approved apportionment schedule. The BOP Education Administrator will transmit copies of the FPI Form 81 to the (1) Warden, (2) Supervisor of Education, and (3) UNICOR Business Manager.

To provide a degree of flexibility, field locations are not required to request internal adjustments of less than $1,000 among those items subject to Congressional limitation (Basic Salary, Related Salary, and Operating Expenses) provided accrued expenditures do not exceed the total quarterly apportionment. The "Budget-Current Year" column should not be

changed, the over/under adjustment being reflected in the "Balance Available through Current Quarter" column.

The transfer of funds between institutions within a region and/or regions must be requested in memo form and submitted through the Region to the Central Office, Education Administrator. Receipt of a revised FPI Form 81 will constitute approval.

2. Experimental Programs - The Supervisor of Education at each institution shall submit requests for Experimental Program as needed. The request shall include justification, estimated life of the program (test period), the designated date for the evaluation of the program, the criteria for determining whether to discontinue it or make it permanent, a Request for Special Authorization, and FPI Form 81. The request, if approved would be valid for the lifetime of the program and would not require annual approval. As such, there must be an FPI Form 81 for each fiscal year of the program apportioned by quarters. This is needed to control annual allocations for the overall programs as well as to provide a basis for budget control of the individual program.

Program recommendations are submitted from each location, through the Regional Offices, and screened by the BOP Education Administrator and FPI Manager of Industrial Programs. In addition to the narrative application material, the original proposals should include the single RSA, the Form 81's for each fiscal year and the program evaluation criteria. The involvement of the Superintendent of Industries and UNICOR Business Manager in preparing the RSA and Form 81's is required.

Programs recommended by Central Office officials in the preceding step are reviewed and endorsed/disapproved at the Secretary/Deputy Associate Commissioner level and finally approved/disapproved by the Associate Commissioner. If a proposal is disapproved, this decision and explanation will be conveyed by a jointly signed memorandum from the Associate Commissioner to the Warden, with copies to :

- BOP Education Administrator
- FPI Manager of Industrial Programs
- Regional Director
- Institution Supervisor of Education
- Superintendent of Industries

If the proposal is approved, the memorandum is distributed to the same listing, and in addition to:

- UNICOR Controller
- Deputy Associate Commissioner
- UNICOR Business Manager
- C.O. Research

Once approved, the RSA and FPI 81's are forwarded to the UNICOR Controller's office for assignment of an authorization number and signature attesting to the availability of funds.

The package is then returned to the Manager of Industrial Programs for final compilation of all materials for forwarding to the Wardens and others of the distribution list. The program is authorized to proceed. The package should include all relevant information in support of the budget to enable the business office to proceed and procurement action.

The smooth implementation and administration of each experimental program depends upon mutual respect of the responsibilities and good communication and coordination of the Supervisor of Education, the Superintendent of Industries, and the UNICOR Business Manager. The Supervisor of Education must not go too far during the conceptual stage in dealing with potential contractors. He/she should keep the UNICOR Business Manager apprised of initial efforts. The UNICOR Business Manager should be supportive of the intent of the experimental program and, at the earliest possible date after Central Office approval, be prepared to initiate appropriate procurement action. It needs to be mentioned here that procurement regulations do apply and the experimental programs are not exempt from regulatory requirements. Everyone in BOP and UNICOR should be careful to adhere to them. There are situations where a sole-source arrangement is appropriate. However, whenever feasible, competition serves to ensure that the Corporation obtains the best offer possible for any given service. In the absence of such competitive procurement, the Contracting Officer must be able to present a determination of findings justifying the engagement of a sole source contractor. This must pass the test of reviews of government auditors. Mere "convenience" or "preference" on our part is not sufficient justification.

3. Buildings and Improvements (Construction) - Institutions may request individual projects for vocational training which cost in excess of $2,000. Such requests should not be initiated until after the institution has reviewed its existing space and facilities for possible reprogramming or reallocation of space.

The Supervisor of Education at the field location will initiate the request in coordination with the UNICOR Business Manager and the Facilities Manager. It will then be routed through the Warden and Regional Director to the Education Administrator, BOP.

Upon receipt of requests, the Education Administrator, BOP will review and confer with the Assistance Director, Planning and Development, in relation to long range planning and space study date, prior

to transmittal to the Deputy Associate Commissioner and the Associate Commissioner, UNICOR for approval.

Upon their approval and that of the Board of Directors, notification will be prepared for each institution by the Education Administrator, BOP for each request. Disapprovals will be accomplished by letter and will give reasons for disapproval. Notifications for approved programs will be accomplished by FPI Form 81 and include the funding level and the exact nature of any changes made to original request.

Any projects not completed during the fiscal year for which funding was approved must be resubmitted in accordance with this paragraph to re-establish funding.

4. Machinery and Equipment - Institutions may request funding for machinery and equipment requirements for established programs which UNICOR does not administer.

The Supervisor of Education at the field location will initiate the request in coordination with the Superintendent of Industries. It will then be routed through the Warden and Regional Director to the Education Administrator, BOP. This shall be accomplished no later that March 31 for the following fiscal year.

Upon receipt of request, the Education Administration, BOP will review each and submit a consolidated request to the Deputy Associate Commissioner and Associate Commissioner. Upon their approval and that of the Board of Directors, each institution will be notified of action taken on their request by the Education Administrator, BOP. Disapprovals will be accomplished by letter and give reasons for disapproval. Notifications for approved programs will be accomplished on an FPI Form 81 and will include the funding level, the equipment approved for purchase and any changes made to the original request.

Any equipment not purchased during the fiscal year for which funding was approved must be resubmitted in accordance with this paragraph to re-establish funding.

5. Allotment Control Responsibilities - In addition to the allotment controls required of the Education Administrator, BOP and the UNICOR Controller in paragraphs 1 and 2, each institution has allotment control responsibilities. The Chief Executive Officer of each institution, or his delegated representative becomes the responsible office to see that such allotments are not over-obligated. Hence, all vocational activities are under the general supervision of the Chief Executive Officer at each institution. Bookkeeping for vocational funds is accomplished by the

UNICOR Business Manager. Therefore, close

cooperation and coordination shall be maintained between these offices. This is particularly true in connection with the preparation of the annual budget estimates, costs, compliance with procurement regulations, and the classification of purchases.

303. ACCOUNTING

1. Permanent Programs - Expenditures for the program shall be charged to Account 75, Vocational Expense Control. Expenditures for salary and operations shall be classified and distributed to the applicable subsidiary accounts as listed in Section 8501, par. 103. Machinery and equipment expenditures for equipment in excess of $300 shall be charged to Account 75.39, Vocational Training - Major Equipment. Memo equipment cards shall be maintained on this equipment. Approved expenditures for buildings and improvements projects over $2,000 shall be charged to Account 75.40, Vocational Training - Building and Improvements. Minor projects under $2,000 shall be funded from the VT Operation Expense Budget.

The FPI Form 81 shall be used to summarize these costs and report budget status. The "Program" entry shall include the name of the program (Permanent VT Programs). Salary and operating costs shall be summarized from the Form 4 in the applicable blocks for items subject to Congressional limitation. Machinery and equipment, and buildings and construction expenditures shall be summarized in the applicable blocks. The total of operating, salary, machinery/equipment, and building/construction expenditures shall agree with FPI Form 3.

UNICOR field accounting stations will transmit and FPI Form 81 monthly to (1) the institution Supervisor of Education, (2) Regional Education Administrator, (3) Education Administrator, Central Office, and (4) the UNICOR Controller. The Form 4 will be submitted to each quarterly.

2. Experimental Programs - Expenditures for this program shall be charged to Account 76, Vocational Training Experiment Control. Expenditures for operations shall be classified and distributed to the applicable subsidiary accounts as listed in Section 8501, par. 103. Machinery and equipment expenditures for equipment in excess of $300 shall be charged to Account 76.39. Memo equipment cards shall be maintained on this equipment.

The FPI Form 4, Summary of Expense shall be used to list all expenses for the quarter and year to date including the charges to Account 76.39.

The FPI Form 81 shall be used to summarize each program costs and report budget status. The `Program' entry shall include the name of the program. The total shall agree with FPI FORM 3.

UNICOR field accounting stations will transmit an FPI Form 81 monthly to (1) the institution Supervisor of Education, (2) Regional Education Administrator, (3) Education Administrator, Central Office, and (4) the UNICOR Controller. The Form 4 will be submitted to each quarterly.

3. Building and Improvements - Approved expenditures for VT building programs at institutions where the established VT programs are not administered by UNICOR shall be monitored by the UNICOR Business Manager. Expenditures shall be charged to Account 75.40, Vocational Training - Buildings and Improvements, and reported monthly on the FPI Form 3 and 81, and quarterly on the FPI Form 4.

4. Machinery and Equipment (M&E) - Machinery and equipment allocations for established programs for which UNICOR does not administer the program shall be monitored by the UNICOR Business Manager. Expenditures shall be charged to Account 75.39, Vocational Training - Machinery and Equipment, and reported monthly in the FPI Form 3 and 81, and quarterly on the FPI Form 4.

The BOP Business Manager shall be advised of all pertinent data relative to the cost and specifications of the equipment for accountability purposes. Any machinery and equipment purchased for locations administered by BOP shall be donated immediately to BOP.

5. General - Maintain a minimum of accounts for vocational activities. At those locations, where there are several industrial operations, the vocational accounts may be reported in any of the manufacturing unit's books.

Any items purchased F.O.B. shipping point that are in transit at the end of the year shall be accrued and charged to the proper expense account prior to year end closing. Credit excess accruals of expenses at the end of the prior year to Account 53.3 in the following year when the correct amounts are recorded. Expense in excess of accruals made at the end of the prior year shall be charged to current vocational expense. Credit discounts on vocational expense items which are in transit at the end of the fiscal year to Account 53.3 in the following year when payment is affected.

304. SURPLUS PROPERTY

Items, either machinery and equipment or operating supplies, may be acquired in accordance with Section 8508. Special authorization on FPI Form 27 is required for VT acquisitions of surplus property in excess of $1,000. Controls shall be maintained locally by processing all request for acquisitions through the UNICOR Business Manager. The donable element of

these items shall not be charged against budget allocations. However, they are to be shown as a footnote of FPI Form 27.

81 (Monthly Submissions) indicating the category (machinery and equipment or supplies) and the appraised value. Items with an appraised value less than $1,000 need not be reported. Freight or incidental expenses shall be charged to Account 75.

VT machinery and equipment (M&E) in those programs in which UNICOR maintains the financial/budget reports and accountability may be transferred to VT activities at other institutions or donated to UNICOR, BOP, or other government agencies. Request for such actions shall be submitted to the Central Office Education Administrator for review and approval, and coordinated with respective UNICOR Business Manager to ensure proper transfer, documentation and accountability.

305. PROCUREMENT

With the exception of the Experimental Vocational Training Program, UNICOR accounting and budget system, requires that purchases of operating supplies and machinery and equipment be processed so as to ensure delivery not later than the end of the fiscal year. Open purchase orders (undelivered) at the end of the year need not be canceled. However, no authority exists to "carry over" unexpected balances and the expenditure will be charged to the ensuing fiscal year's budget in the month actually delivered. A realistic procurement cycle should be established to preclude such occurrences and a minimum 30 day cutoff date (September 1) for all other purchases should be observed.

All contracting and procurement will be accomplished through the responsible UNICOR Procurement Agents and/or Contracting Officers who must ensure compliance with the Federal Procurement Regulations, FPMR, BOP Procurement Manual and UNICOR policy and procedures Manual for all VT purchases. Mandatory sources of supply - UNICOR, GSA, FSS must be utilized. Specific cases which cannot be resolved at the field level should be referred to the UNICOR Controller for review and approval.

Approval of an RSA in which a particular vendor or contractor is mentioned does not constitute approval of that particular contractor or vendor - only the project concept. All applicable procurement regulations will be followed in implementing the program.

306. CONTINGENCY RESERVE

No reserve fund will be maintained by the Education Administrator in the Central Office. Therefore, costs for items such as change of duty station transfer costs, approved program changes and other uncontrollables must be absorbed by available funds at the institutional level.

307. QUARTERLY REVIEW

At the end of the first three fiscal quarters, appropriate UNICOR and Education personnel at each field location will review their current budget and project actual requirements through the end of the fiscal year. Adjustment recommendations should be transmitted to the Central Office, Education Administrator Through the Regional Education Administrator not later that the 20th of the month following the end of these three quarters. Fourth quarter adjustment recommendations should be transmitted not later than September 1, and will be considered as the final budget adjustment for the fiscal year.

308. AUDIT

Vocational activities and related financial and accounting records are subject to audit by the UNICOR Internal Audit Staff, Department of Justice, and General Accounting Office. UNICOR Business Managers are responsible to ensure that current Corporate, Treasury, GSA, and GAO policies, and regulations are complied with for all vocational training expenditures.

SECTION 8506

COST ACCOUNTING MANUAL

FPI's Cost Accounting policies and procedures are contained in a separate manual. See FPI's business manager for more details.