U.S. DEPARTMENT OF JUSTICE
Federal Bureau of Prisons

PROGRAM STATEMENT
Federal Prison Industries Monthly Financial Reconciliation and Closeout Procedures

Approved by	William K. Marshall III William K. Marshall III Director, Federal Bureau of Prisons
DPI	FPI
Number	8540.04
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Summary of Changes

Program Statement Rescinded: ▪ 8540.03 FPI Monthly Financial Reconciliation and Closeout Procedures (03/18/2015)
Changes: ▪ Updates position titles. ▪ Updates and clarifies processes. ▪ Removes attachment.

1. **PURPOSE AND SCOPE**

To establish procedures for the performance of activities and routine financial system maintenance by Financial Management Branch (FMB) staff within Federal Prison Industries (FPI). These procedures must be performed throughout the month to ensure the accuracy of information posted to FPI's General Ledger. Specifically, open item managed accounts must be monitored, validated, and reconciled.

FPI uses an integrated financial information system for data collection. This system is accessed by all FPI factory locations and data accuracy is imperative. The consolidated financial data generated from this system is used to prepare monthly, quarterly, and annual financial statements required for internal and external reporting.

a. **Program Objectives**.

- There will be consistency in day-to-day operations and the monthly closeout process, including maintenance of backup documentation.

- Financial information will be accurate to ensure the integrity of internal and external reporting requirements.
- General ledger accounts will be routinely reconciled.

b. **Institution Supplement**. None.

2. RESPONSIBILITY

The FPI Controller ensures procedures in this program statement are performed promptly and efficiently.

3. INVENTORY

Business Managers ensure the administration, review, and validation of inventory-related activity are performed throughout the month. FMB ensures the data is accurate at month end.

a. **Inventory Reconciliation**. To ensure the accuracy of inventory counts and general ledger account balances, a system-generated General Ledger Account Line Items Display Report for each of the following general ledger (G/L) accounts, using the dynamic selection "Plant," is reviewed for the appropriate profit center and plant:

- G/L Account 151100, Raw Materials and Supplies.
- G/L Account 152710, Sub-Assembly Manufactured.
- G/L Account 152100, Finished Goods Manufactured.

The report is run with specific starting and ending dates for the period to be reviewed (e.g., 10/15/20XX through 10/31/20XX).

Entries that appear abnormal must be reported to the Field Financial Administrator (FFA) for corrective action. Abnormalities may be caused by incorrect standards, errors in creating purchase orders, an incorrect unit of measure, or entries for Government Furnished Material (GFM).

b. **Inventory Balances**. To ensure the accuracy of general ledger account balances, the following system-generated report must be reviewed:

- **List of Stock Values**. Reviewed for irregularities in quantities or values associated with raw materials, class 3000; finished goods, classes 7920 and 3100; and sub-assemblies, class 7900. Irregularities are investigated for corrective action. If the discrepancy is associated with the standard cost, the business group responsible for product costing must be notified immediately. Discrepancies associated with the prime plant's standard are documented in the job file.

c. **Work in Process**. To ensure the accuracy of the Work in Process (WIP) Report and the general ledger account balance, the Accountant or Business Manager generates the Calculate Work in Process: Collective Processing Transaction Report in test run mode. This report is reviewed to determine if there are large values associated with partially completed jobs. If so, a further review is done by generating the Production Order Display and selecting the Cost Analysis function for the planned and actual amounts for each element. The following occurrences must be monitored:

- Excessive material costs may indicate errors are contained in the unit of measure, unit price, or as a result of over issuance of material.
- Excessive activity costs could result from incorrect times designated in the routing, incorrect labor rates in a cost center, or an excessive amount of posted actual standard hours.

The Accountant or Business Manager will contact the business group responsible for product costing to ensure corrective action is taken for errors identified in the cost analysis process. In addition, the FFA is notified.

d. **Consignment Payable**. To ensure the correct purchase information is recorded, a system-generated General Ledger Account Line Items Display Report for G/L Account 211100, Consignment Payable Open Item Management, using dynamic selection “Plant,” is reviewed. If errors are not corrected immediately, they could cause an overstatement on the balance sheet. The Accountant or Business Manager ensures consignment payables are settled by generating the FPI Settle Consignment/Pipeline Liabilities Report monthly; open items older than 45 days are viewed for validity or corrective action.

4. **SALES**

The Accountant or Business Manager ensures irregularities resulting from faulty pricing conditions and incorrect profit centers are discovered. The system-generated General Ledger Account Line Items Display Report for all G/L sales accounts, using the dynamic selection “Profit Center,” is reviewed. Errors are reported immediately to the Chief, Central Accounts Receivable (CAR).

5. **COST OF SALES**

Business Managers ensure the administration, review, and validation of cost of sales activity is performed throughout the month. FMB ensures the data is accurate and the following cost of sales accounts are reviewed throughout the month and analyzed at month end:

- G/L Account 653200, Inventory Overages/Shortages. Review the impact of cycle counts, shop stock inventories, etc.

- G/L Account 653221, Inventory Valuation Adjustment for Finished Goods. Records changes to standard costs for items in inventory at the time of the change. These result from a released material cost estimate by the Industrial Specialist or when price changes are made. This account is monitored to ensure prices are not arbitrarily changed.
- G/L Account 653222, Finished Goods Cost in Excess of 95% of Selling Price.
- G/L Account 653228, Inventory at Customer – Excess 95% of Selling Price.
- G/L Account 653282, Inventory Valuation Adjustment for Sub-Assemblies. These result from a released material cost estimate by the Industrial Specialist or when price changes are made. This account is monitored to ensure prices are not arbitrarily changed.
- G/L Account 653283, Sub-Assembly Cost – Excess of 95% Adjustment.
- G/L Account 653288, Work in Process Cost – Excess of 95% Adjustment.
- G/L Account 653300, Planned Cost Variation. Accumulates variances associated with the difference between finished goods and subassemblies, carried at standard cost, and the actual cost of production. This cost is posted at the completion of the production order.

Any activity related to cost of sales that cannot be explained must be reported to the FFA.

6. MANUAL JOURNAL ENTRIES

Staff use the following procedures for processing manual (non-system-generated) journal entries:

- Journal Entry – Manually entered, non-system-generated, financial information system entry.
- Journal Voucher – The hard copy synopsis of the proposed financial information system entry.

a. **Preparation**. Financial management staff prepare the appropriate non-system-generated journal voucher or the General Ledger Spreadsheet Up-Loader (GLSU) format required by their Business Manager.

The journal voucher includes subsidiary information required to assist in the approval process. When applicable, the preparer notes an entry is to be reversed on the voucher, along with the date the entry is to be reversed. The preparer approves the entry upon completion. The financial information system entry is NOT posted at this point.

b. **Approval**. The journal entry is routed from the preparer to the next level financial supervisor for approval. The following is the hierarchy of approval within a business group when seeking approval:

- The Assistant Business Manager (if applicable in the business group).
- The Business Manager.
- The Field Financial Administrator.

- The Deputy Controller.

The following is the hierarchy of approval within corporate financial management when seeking approval:

- The Chief, Central Disbursements Section/Central Accounts Administrator.
- The Deputy Controller.

Entries prepared by the Deputy Controller will be peer reviewed by another Deputy Controller for approval.

The approving official verifies the accuracy of the proposed entry and approves the journal voucher.

The approver posts the journal entry in the financial information system and maintains copies of the approved journal voucher in the monthly closeout folder.

To maintain the integrity of the process, it is vital that the journal voucher approval is signed by the preparer and the approver before its actual posting into the financial information system.

7. ACCOUNT MAINTENANCE

The Accountant and Business Manager monitor G/L expense accounts and supporting cost centers within the financial information system to ensure accuracy. Additionally, expenditures are reviewed to ensure a true representation of costs incurred during the month. Corrections are made in a timely manner. The following are examples of the type of accounts that must be monitored:

- **Freight Liabilities**. Freight liabilities are entered by the field location into the FPI financial information system. Field locations continue to document the Transportation Expense Payable account (217000) in the financial information system using the field and text data as required. Central Accounts Payable (CAP) applies the payment of freight invoices against the location’s 217000 account. CAP processes all freight invoices, during the voucher phase, by debiting exclusively to account 217000. The Accountant or Business Manager ensures the 217000 account is properly reconciled at month end. This includes the accrual for all freight expenses as well as the reconciliation of paid freight invoices by CAP.

- **Transportation**. To ensure transportation billings are not significantly over- or understated, a system-generated General Ledger Account Line Items Display Report for G/L Account 635500, Shipping Cost Billed to Customer, using the dynamic selection “Profit Center,” is reviewed and corrected, if required.

- **Other**. To ensure there is no value associated with GFM (GFM/500 series), the General Ledger Account Line Items Display Report for G/L Account 618200, Other Expenses, is reviewed for entries made via material movements. Any values associated with GFM are corrected; if not, inventory will be overstated since GFM is carried at no cost.

a. **Central Disbursements**. The FMB Central Disbursement Section disburses funds via the Intra-governmental Payment and Collection System (IPAC), Civilian Payroll Electronic Fund Transfer (EFT), Treasury payment, etc., for the payment of expenses incurred and preparation of appropriate journal entries. The Central Disbursement Section records civilian payroll at the cost center level to the appropriate expense accounts. CAP processes the clearing account balances for all IPACs in which a receiving report is required. All other IPAC clearing account balances must be cleared monthly. A manual entry must be made for the reclassification of non-purchase order related IPACs and civilian payroll errors. When an error occurs on the civilian payroll due to an error on the accounting classification, the error posts to the expense account noted below and to the appropriate cost center as determined by the organizational data on the Accounting Station Posting Media (ASPM). The Accountant or Business Manager ensures balances for the following G/L accounts are reclassified to the appropriate expense accounts resulting in a zero balance in the controlling module, on a monthly basis and before year-end closeout.

- G/L Account, 610150, Salaries; Permanent Positions, Cent. Off. Distr.
- G/L Account, 620150, Salaries; Permanent Positions, Sales & Admin.
- G/L Account, 611550, IPAC Clearing Acct – Goals Disbursements.
- G/L Account, 621550, IPAC Clearing Acct – Goals Disbursements.

The Operations Manager and purchase card approving official ensure the signed purchase card statement and reconciliation are submitted to CAP so the following G/L accounts can be properly reconciled by the Accountant on a monthly basis and before year-end closeout.

- G/L Account, 611555, Bank One Clearing Acct – Field.
- G/L Account, 621555, Bank One Clearing Acct – Gen. and Admin.

b. **Civilian Payroll Accrual**. The Central Disbursement Section records the month-end civilian payroll accrual as a single line-item credit to G/L Account 222020 Accrual - Civilian Pay Central Office, offset by the appropriate expenses at the cost center level. The basis of the entry is the last previously disbursed payroll factored for the remaining workdays yet to be disbursed. Overtime and awards are removed from the basis, and the clearing accounts are not posted. The civilian pay accrual is not entered using the auto reverse option but is manually reversed at the time the next month's accrual is posted. The Accountant or Business Manager is responsible for ensuring overtime is appropriately accrued and is responsible for monitoring the G/L Account 222020 for their respective plants. Overtime is the only appropriate field use for G/L Account 222020. This account must not be used to transfer balances between plants.

8. VALIDATION AND MAINTENANCE OF OPEN ITEM ACCOUNTS

General ledger accounts within the financial information system that are not supported by an automated subsidiary are known as Open Item Managed (OIM) accounts. These are miscellaneous asset and liability accounts that require a profit center to be entered for each line item. FMB staff ensure OIM accounts are monitored monthly and validated for their locations. This includes all accounts, whether associated with the field or the Central Office.

To properly validate OIM accounts, a General Ledger Account Line Items Display Report is generated and reviewed for accuracy.

At the end of the month, all open items in the financial information system are validated; related debits and credits that offset each other are cleared. To facilitate the clearing process, the assignment fields for related debit and credit transactions must be identical. However, the use of generic information such as system dates, plant codes, etc., must not be used in the assignment field for clearing purposes. The use of generic information may cause the erroneous clearing of line items, resulting in inaccurate financial data.

9. ACCOUNTS PAYABLE

Although the accounts payable function is centralized, Accountants and Business Managers must continue to review the following accounts payable reports to ensure accuracy and timeliness of the payable process.

a. **Accounts Payable**. The Accountant or Business Manager generates the Accounts Payable Aging Report for their plants. This report is reviewed for open invoices 30 days past due. Open items are reported to CAP to determine the validity of each invoice and resolution of issues for payment, if applicable.

b. **Review of Open Goods Receipt Invoice Receipt (GRIR)**. Each month, the Central Disbursement Section will send a spreadsheet listing all GRIR items over 45 days old as of month end to the Business Managers and all contracting officers by the second workday of the following month.

The Business Manager will provide a status of all GRIR line items on the spreadsheet to CAP no later than the tenth calendar day of the month. This function may be delegated, but the response must come from the Business Manager. A status code and a brief explanation for the response will be provided for each line item. The applicable code and the corresponding text must be included on the spreadsheet. The status will be detailed as one of the following:

- Code 1 – Request line item remain open (state reason).
- Code 2 – Field request invoice from vendor.

- Code 3 – Write-off line item (state reason).
- Code 4 – Process credit invoice against outstanding payable.
- Code 5 – Write-off pending Deputy Controller, Field Operations, approval.

The applicable code and the corresponding text must be included on the spreadsheet. When the field is required to request an invoice from a vendor (Status Code 2), the Business Manager will coordinate with the contracting officer to ensure that proper notification and resolution occurs with the vendor. Contracting officers will ensure the proper follow-up action is taken and will notify the Business Manager accordingly.

c. **Field Request for Vendor Invoice**. When the field is required to request an invoice from a vendor, the Business Manager coordinates with the contracting officer to ensure proper notification and resolution occur with the vendor.

d. **CAP Follow-up**. By the end of each month, CAP provides the Deputy Controller, Field Operations, with a list of the Business Managers who have not responded to the 45-day GRIR listing.

e. **GRIR Write-Offs**. CAP performs GRIR write-offs each month based on the authorization provided by the Business Managers on the 45-day old list. The Business Manager provides this authorization by emailing the spreadsheet to CAP. All write-offs with a $3,000 or higher net impact per line item must be approved by a Deputy Controller, however an offsetting credit and debit on the same purchase order and line item does not require Deputy Controller approval if the net is less than $3,000. Business Managers send requests for write-offs over $3,000 directly to the Deputy Controller, Field Operations, for approval. These requests must contain all supporting information needed to justify the write-off decision. Business Managers retain supporting documentation for all write-off requests. CAP maintains all requests for write-off, including the email request or signed spreadsheet, for three years.

Financial management staff must be aware that the write-off of GRIR line items will affect the moving average price of inventory items. As such, all write-offs must be thoroughly researched and will be considered only after all other options have been exhausted.

No GRIR line items may remain open past 180 days. Each month, CAP provides the FPI Controller with a list of items over 180 days old. This includes the status codes and explanations provided by the Business Manager. The FPI Controller, with assistance from the Chief, Central Disbursement Section, resolves these.

10. **ACCOUNTS RECEIVABLE**

The Accountant or Business Manager ensures that G/L Account 231010, Progress Payable, is reconciled and the reconciliation is sent to CAR.

11. PERIOD-END REQUIREMENTS

To ensure the financial records accurately reflect FPI's financial position, the following procedures are completed before or immediately following the monthly closeout. The Deputy Controller, Financial Accounting and Budgeting, closes the financial records for the corporation. Field locations have until the third workday of each month to complete the "closeout" or enter data for their locations. The FMB Corporate Reporting Section has discretion to open and close accounting periods after the third workday to perform routine monthly corporate-level adjusting entries (e.g., warranty accrual, capitalization of overhead, and governmental conversions). Once the FPI Controller has been notified the books are closed at the corporate level, authorization from the FPI Controller is required before opening a prior accounting period.

The following responsibilities are designated for Central Office Corporate Operations and Central Office Business Office, Field Business Offices, and CAR.

a. **Corporate Reporting Section**. The Deputy Controller, Financial Accounting and Budgeting, completes the following:

- Obtain a written explanation for cash differences from the Chief, Central Disbursement Section or the Chief, CAR.
- Reverse accrual documents generated by the location using the current month date.
- Run the open item clearing transaction for OIM general ledger accounts for the current month.
- Execute the WIP calculation and promptly notify field locations of completion.
- Execute the 95% WIP calculation after completion of the WIP and distribute it to all locations.
- Perform the Collective Settlement of Production Orders and the posting entries made by the WIP calculation process.
- Ensure the material management period is closed on the last day of the month and the controlling and financial posting period is opened for the new month.
- Settle internal orders for assets to Assets Under Construction.
- Execute the Assessments for Periodic Re-posting, Assessments (Plant to Plant), and Assessment (Plant Level from Support to Production), for all field locations.
- Calculate and post the depreciation for the preceding month before closing the period, but not later than the first workday of the new month.

b. **Corporate Reporting Reconciliations**. The Deputy Controller, Financial Accounting and Budgeting, generates reports for specific general ledger accounts for comparison.

- **Inventory**. Generate the general ledger Account Balances Report for:
  - G/L Account 151100, Raw Materials and Supplies.

- G/L Account 152100, Finished Goods Manufactured.
- G/L Account 152710, Sub-Assembly Manufactured.

These accounts are compared to the List of Stock Values: Balance Report for valuation classes 3000 (Raw Materials), 7920 and 3100 (Finished Goods), and 7900 (Sub-Assemblies).

- **Consignment Payable**. Generate the Consignment Payable Liability Display Report for G/L Account 211100, Consignment Payable Open Item Management, and compare to the Settle Consignment/Pipeline Liabilities.

- **Work in Process**. Generate the Account Balances Report for G/L Account 158100, Work in Process, and compare to the WIP Calculation Report for the previous period.

- **Building and Improvements/Accumulated Depreciation**. Generate the general ledger Account Balances Report for:

  - G/L Account 173000, Building and Improvement (B&I).
  - G/L Account 173900, Accumulated Depreciation (M&E).

  These are compared to the Asset Balance Report for class codes 1000 through 1300, using the book value option selection.

- **Machinery and Equipment/Accumulated Depreciation**. Generate the general ledger Account Balances Report for:

  - G/L Account 175100, Machinery & Equipment – Operational.
  - G/L Account 175900, Accumulated Depreciation - M&E.

  These are compared to the Asset Balances Report class codes 2000 through 2300, using the book value option selection.

  In addition, G/L Account 175800, M&E Adjustment, should be in balance with the spreadsheet support subsidiary.

- **Construction**. Generate the general ledger Account Balances Report for G/L Account 172000, Capitalization of Settled Internal Orders, and compare with the Asset Balance Report for class code 4000 and the Internal Orders Report, for Order Type 0600.

- **Capital Lease Assets**. Generate the general ledger Account Balances Report for:

  - G/L Account 181000, Fixed Assets – Capital Leases.

- G/L Account 181900, Accumulated Depreciation – Capital Leases.

  These are compared to the Fixed Assets Report for class code 2500, using the book value option selection.

- **Cattle**. Generate the general ledger Account Balances Report for:

  - G/L Account 189000, Other General Property Plant and Equipment.
  - G/L Account 189010, Other General Property Plant and Equipment Allow.
  - G/L Account 189900, Accumulated Depreciation Other General Plant and Equipment.

  These are compared to the Fixed Assets Report for class codes 7000 through 7300.

- **Right Of Use (ROU) Finance Leases**. Generate the general ledger Account Balances Report for:

  - G/L Account 195100, ROU Finance Lease.
  - G/L Account 195900, Accumulated Depreciation ROU.

  These are compared to the Fixed Assets Report for class code 2550.

- **Internal Use Software**. Generate the general ledger Account Balances Report for:

  - G/L Account 183000, Fixed Assets – Internal Use Software.
  - G/L Account 183200, Internal Use Software in Development.
  - G/L Account 183900, Accumulated Depreciation – Internal Use Software.

  These are compared to the Fixed Assets Report for class codes 2600 and 2650, using the book value option selection.

- **GRIR**. The Deputy Controller, Financial Accounting and Budgeting, generates the general ledger Account Balances Report for G/L Account 232100, Goods Receipt/Invoice Receipt, and compares it to the General Ledger Line Open Item Report for G/L Account 232100, Goods Receipt/Invoice Receipt.

- **Accounts Payable**. The Deputy Controller, Financial Accounting and Budgeting, generates the general ledger Account Balances Report for G/L Account 211000, Accounts Payable Open Item Management, and compares to the Vendor Line Item Display Report.

c. **Central Accounts Receivable**. The Chief, CAR, completes the following:

- Ensures cash differences for the previous month are explained in writing and appropriate adjustments are made.
- Ensures blocked billings are investigated for a determination of release, before processing the final Billing Due List. Exceptions for year end are noted in the Year End Closing Instructions.
- Generates the Billing Due List, ensuring all billable items are billed by the close of business on the first business day of the month. Exceptions for year end are noted in the Year End Closing Instruction.
- Ensures customer advances are updated, not later than close of business, on the first business day of the month.
- Prepares the SF224, Statement of Transactions, for Agency Location Code (ALC) 15-08-0007 with an explanation of any differences, and submits it to the Corporate Reporting Section.
- Notifies field locations when billings have been completed for the month.

d. **Central Accounts Receivable – Reconciliations**. The Chief, CAR, generates reports for specific general ledger accounts for comparison purposes.

- **Accounts Receivable**. Generate the general ledger Account Balances Report for:

  - G/L Account 131000, Accounts Receivable; Govt. Billings.
  - G/L Account 131500, Public Billings.

  These are compared to the Customer Line Items Report.

- **Customer Advance**. Generate the general ledger Account Balances Report for:

  - G/L Account 231000, Advances Payable.
  - G/L Account 231010, Progress Payable.
  - G/L Account 132100, AR - Credit Card Clearing – VISA.
  - G/L Account 132200, AR - Credit Card Clearing – Discover.
  - G/L Account 132300, AR - Credit Card Clearing – MasterCard.
  - G/L Account 132400, AR - Credit Card Clearing – American Express.
  - G/L Account 136100, Unapplied Payments – Lockbox (Contra).
  - G/L Account 136200, Unapplied Payments – Credit Card (Contra).
  - G/L Account 136300, Unapplied Payments – Non-Treasury (Contra).
  - G/L Account 136400, Unapplied Payments – GOALS/IPAC (Contra).
  - G/L Account 138000, Long Term Receivable.

  These are compared to the List of Open Down Payments (Customer) Report and differences are reported to the Deputy Controller, Financial Accounting and Budgeting.

e. **Central Disbursements**. The Chief, Central Disbursement Section, prepares the SF224 for ALC 15-08-0001, with an explanation of any differences, for submission to the Corporate Reporting Section.

f. **Field Location Tasks**. The Accountant and Business Manager ensure completion of the following tasks:

- Manual journal entries for miscellaneous asset and liability accounts, including allowances, are completed and approved.
- All required accruals are completed. In addition, an estimate for inmate payroll is entered if payroll has not been calculated by the closeout date.
- G/L account 222000, Accrued Expenses, includes an accrual for utilities.
- Reversal of all accrual documents generated by their location(s) using the current month's date.
- The system-generated accrual document list is reviewed to ensure reversal dates are reasonable and errors have not occurred.
- All approved transfers of expenses to Central Office are charged to the appropriate G/L Administrative and Expense Accounts (i.e., 620000 series) and their cost centers. These expenses are transferred to Central Office via the financial information system re-posting function. The text field contains the reason for the transfer (e.g., John Smith – Accountants Training). Any amount remaining in the 620000 G/L accounts is reclassified by the Corporate Reporting Section.
- All shipments and other material transactions for the month are keyed into the financial information system by the last calendar day of the month.
- All asset transactions, including transfers and construction projects 100% completed during the month, are settled and transferred to an active asset. While the Corporate Reporting Section settles construction projects at month end, the field notifies the Corporate Reporting Section upon completion of projects to ensure that appropriate costs are allocated.
- WIP value agrees with the G/L Account 158100, Work in Process. The results must be analyzed and errors corrected or the FFA notified.
- The respective Cost Center Expense Report and Profit Center Income Statement are analyzed for accuracy, validity, and reasonableness, making necessary adjustments. Significant irregularities are reported to the FFA.
- The data in the 95% WIP calculation spreadsheet distributed by the Corporate Reporting Section is validated and corrected, if necessary. In addition, calculations are performed and a journal entry posted for the 95% WIP adjustment for the period.
- The 95% Finished Goods and Sub-Assemblies Report is run. Calculations are performed and a journal entry posted for the 95% Finished Goods and Sub-Assembly adjustment for the period.
- All OIM accounts are monitored for accuracy.

- All production orders are settled and resolution of settlement errors occurs by the last calendar day of the month.
- All goods received have been posted by the last workday of the closeout period.
- The List of Stock Values: Balance Report is validated for accuracy and any irregularities reported to the FFA.
- The Material in Transit Report is reviewed to ensure all items are physically in transit and appropriate actions taken, if required. Any inventory items purchased on a stock transfer order (STO) for use other than in production or sale are removed and charged to the appropriate expense account and cost center.
- The material list is reviewed for price discrepancies.

g. **Field Location Reconciliations.** The Accountant or Business Manager ensures that the following reconciliations are completed as part of the month end period closeout:

- **Cost Center/Profit Center**. The Accountant or Business Manager generates a Cost Center Report that displays any re-postings from one cost center to another and the Profit Center Report. These reports are compared to ensure agreement at month end period close.

- If a G/L account appears on the Cost Center Report under the heading "Statistical Postings," an error has occurred from incorrect data entry during the original transaction (e.g., posting without a cost center or posting with a cost center and production order). The transaction is reversed using the Cancel Material Document: Initial Screen and re-entered correctly. If the error cannot be corrected, documentation is submitted to the FFA for assistance.

- **Cost of Production**. Production flow accounts or overhead accounts accumulate costs incurred during the production process and are always associated with a production order. Accuracy of posting to these accounts results in good inventory valuations. The Accountant or Business Manager generates the Cost Centers: Actual/Plan/Variance: Selection Report and the Selection: Profit Center: Plan/Actual/Variance to ensure the total applied overhead amounts are in agreement.

- **General Ledger Production Flow Accounts:**

  - G/L Account 640100, Machine Hour Cost.
  - G/L Account 640200, Run Cost.
  - G/L Account 640300, Set Up Cost.

- **General Ledger Applied Overhead Accounts:**

  - G/L Account 653400, Raw Materials Consumed.

- G/L Account 653450, Factory Output Raw Materials.
- G/L Account 653500, Sub-Assembly Consumed.
- G/L Account 653550, Factory Output Sub-Assembly.
- G/L Account 653600, Finished Goods Consumed.
- G/L Account 653650, Factory Output Finished Goods.
- G/L Account 653700, WIP Calculation Contra Account.

h. **Field Office Report Submission**. The Accountant or Business Manager prepares and submits the following spreadsheets and forms to the FFA upon completion, but not later than the third workday of the month:

- Monthly Data Certification Form.
- Monthly Slow Moving Analysis Spreadsheet(s) for raw materials, finished goods, and sub-assemblies.
- Valuation spreadsheet for Lower of Cost or Market (95%) and Reconciliation of General Ledger Account 152800 Spreadsheet.
- Valuation spreadsheet for (95%) Work in Process Adjustment (modified from 95% report provided by Corporate Reporting).
- Valuation spreadsheet for Lower of Cost or Market (95%) for Finished Goods and Sub-assemblies.

The data for the 95% adjustments are downloaded to an Excel spreadsheet distributed by FMB. The spreadsheet is designed to facilitate electronic consolidation and cannot be modified.

Individuals signing the Monthly Certification Form are accountable for its accuracy. The signatures indicate the information was reviewed and accurately reflects the ending general ledger balances and an adequate explanation of differences.

i. **Field submissions to CAR**. As required by the Program Statement **Revenue Recognition - FPI**, the Free on Board (FOB) Destination tracking to support revenue recognition parameters is based on summary information provided monthly by each field site to support in-transit time cutoff dates. In-transit times are compiled by program.

12. **PERIOD CLOSEOUT FOLDER**

All financial data (i.e., reports, printouts, and support documentation) pertaining to the monthly closeout are kept on file following records retention requirements. This information may be paper-based or stored electronically but must be consistently stored. If electronic media are used, the medium is labeled to identify content, month, and year of closeout. If a paper folder is kept, the folder label identifies the month and year of the closeout. The list below represents the minimum required documentation:

- Ending Inventory Report.
- Month End Work in Process (WIP) Report and evidence of the report balancing to G/L account 158100, Work in Process.
- General Ledger Open Items for G/L Account 232100, Goods Received/Invoice Received.
- Accounts Payable Aging Report.
- General Ledger Open Items (as of last calendar day) for miscellaneous assets, miscellaneous inventories, and allowances as well as miscellaneous liabilities.
- Approval of all manual journal entries.
- Monthly job settlement transactions.
- Fixed Assets Report I (book value option) for all classes by plant as of the last calendar day of the month.
- Profit and Loss Statement.
- Monthly Certification Form.
- Valuation for Lower of Cost or Market (95%) and Reconciliation of General Ledger Account 152800 Spreadsheet.
- Monthly slow-moving analysis spreadsheet(s) for raw materials, finished goods, and sub-assemblies.
- 95% Work in Process Adjustment Spreadsheet.
- Valuation for Lower of Cost or Market (95%) for Finished Goods or Sub-assemblies Spreadsheet.
- Consignment.
- Warranty Expense.

13. QUARTERLY/YEAR-END CLOSEOUT

The Deputy Controller, Financial Accounting and Budgeting, publishes any updated quarterly instructions before the end of the applicable closeout. The year-end closing instructions are published annually. These documents contain details for task accomplishment and report composition by due date.

REFERENCES

Program Statements
Revenue Recognition - FPI

ACA Standards
Evidence-Based Standards and Expected Practices for Adult Correctional Institutions (5th Edition): 5-ACI-7A-12

Evidence-Based Standards and Expected Practices for Adult Detention Facilities Institutions (5th Edition): 5-ALDF-5C-16

Records Retention Requirements
Requirements and retention guidance for records and information applicable to this program are available in the Records and Information Disposition Schedule (RIDS) on the Bureau's intranet site.