U.S. DEPARTMENT OF JUSTICE
Federal Bureau of Prisons

PROGRAM STATEMENT
Federal Prison Industries Accounting Procedures for Civilian and Inmate Payrolls

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

Program Statement Rescinded: ▪ 8570.01 Accounting Procedures for Civilian and Inmate Payrolls - FPI (6/25/01)
Changes: ▪ Updates relevant position titles. ▪ Updates references to technology and systems. ▪ Removes outdated practices and references.

1. **PURPOSE AND SCOPE**

To establish policies and procedures for processing civilian and inmate payroll in the Federal Prison Industries (FPI) financial information system.

FPI's civilian payroll is prepared by the Department of Agriculture's National Finance Center (NFC), based upon information submitted to it from Government Time and Attendance (GovTA). The NFC makes bi-weekly salary payments to FPI employees and posts financial data resulting from that disbursement to its Department of Justice - Central Accounting Data Inquiry System (DOJ-CADI).

The FPI Financial Management Branch (FMB) Disbursement Office accesses this financial data, referred to as Accounting Station Posting Media (ASPM), through NFC's DOJ-CADI system. Upon posting the cash transaction to the general ledger, Disbursement Office staff allocate the payroll expense to the appropriate expense accounts and cost centers in FPI's financial information system for each respective location.

The Federal Bureau of Prisons (Bureau) Human Resource Manager provides instructions for maintaining time and attendance reporting as outlined in the Program Statement **Human Resource Management Manual**.

The Factory Manager at each FPI location has the responsibility for employing inmates and selecting them for key positions, premium pay positions, and other specialized positions as they become available to inmate workers, after appropriate screening by the unit team. The Accountant at each FPI field location is responsible for paying those inmate workers in accordance with the Program Statement **Federal Prison Industries Inmate Work Program** by preparing the monthly inmate payroll using FPI's automated payroll system.

a. **Program Objectives**.

- Civilian salary and inmate labor related expenses will be promptly and accurately recorded in the FPI general ledger.
- Civilian salary and inmate labor related expenses will be classified consistently for each FPI location.
- Inmate payroll will be calculated and prepared in accordance with current regulations.
- Civilian and inmate payroll related entries will be recorded and reviewed using the appropriate transactions and reports.
- General ledger accounts affected by civilian and inmate payrolls will be supported by a spreadsheet or other form of documentation at FPI locations.

b. **Institution Supplement**. None.

2. CIVILIAN TIME AND ATTENDANCE (T&A) CLERKS

The Operations Manager selects civilian T&A clerks at each FPI field location and notifies them of their selection in writing. Branch chiefs in Central Office select Central Office civilian T&A clerks and notify them of their selection in writing. These clerks are provided with payroll instructions for GovTA. All T&A clerks and supervisors must comply with the instructions and report accurately the time and attendance of all civilian employees assigned in their area of responsibility, as outlined in the Program Statement **Human Resource Management Manual**.

3. CIVILIAN PAYROLL ACCOUNTING CLASSIFICATION CODE

The FPI civilian payroll accounting classification code is used to determine the appropriate cost center to which an employee's salary is to be charged. It is also used by the NFC to group individual salary charges by location on the ASPM.

a. **Determining the Appropriate Accounting Classification Code**. The Accountant at each location determines the appropriate FPI civilian payroll accounting classification code for each staff member at their location. The Accountant provides a list to the appropriate T&A clerk and to the local Human Resource office containing each staff member's name, title, and accounting classification code.

This list is to be revised as employees transfer in and out of FPI or as they are transferred between cost centers at the same location. The T&A clerk is to use these codes when entering payroll data into GovTA.

b. The Accountant is to review T&As quarterly to ensure the correct accounting classification codes are being used.

4. PROCESSING THE BI-WEEKLY CIVILIAN PAYROLL

a. **Civilian Payroll Spreadsheet**. An FPI Central Office Accountant completes the civilian pay spreadsheet, which is approved and posted by the Disbursement Office supervisor. The amount must agree with the total civilian payroll excluding compensatory time earned. This is reconciled with the total from the summary level ASPM, less amounts withheld for staff housing, and less transactions listed in "Not Included" on the Payroll Field Balance Report. This spreadsheet is sent via email to all locations and supported by the detail level ASPMs sent to each location.

b. **Recording Civilian Payroll to the General Ledger**. Upon completing the payroll spreadsheet, Disbursement Office staff record the transaction in the general ledger, crediting the operating cash account and debiting the Civilian Salaries, Special, Central Office Distribution account (610150) for each location's amount of the payroll. The designated Disbursement Office staff in Central Office must ensure the total amount charged to expense in the general ledger agrees with the total of the civilian payroll.

Upon receiving the spreadsheet and ASPM, each location is to apportion the payroll amounts to the appropriate general ledger accounts and cost centers. The field location Accountant must notify the Disbursement Office immediately if the amount charged to their location's general ledger expense account does not agree with the spreadsheet and/or their respective ASPM.

c. **Reconciling Cash**. At the end of each month, the Disbursement Office must reconcile the abstracts received from the NFC with the civilian payroll spreadsheets and the corresponding charges to the general ledger cash account for the month. If there are charges on the abstracts that cannot be identified, FMB staff in the Central Office are to research the charges and, if necessary, contact the NFC for an explanation.

d. **Month-end Accruals**. At the end of each month, but no later than the second workday of the new month, the Accountant must create an auto-reversing journal entry for civilian wages accrued but not paid. The Accountant must prepare a spreadsheet or other document using the latest ASPM as a base, or the accounts and respective amounts from the last civilian payroll ledger entry.

To compute the accrual, the Accountant is to multiply the base rate by the number of days, hours, or pay period or part of a pay period (e.g., 1.6 pay periods) remaining in the month for which a general ledger transaction has not yet been processed. The accrual is to be accomplished by crediting the Accrual - Civilian Pay account (222020) and debiting the appropriate expense accounts, profit centers, and cost centers.

The Business Manager or designee must ensure the supporting spreadsheet or other document agrees with the end of month general ledger balance for the Accrual - Civilian Pay account.

5. **STAFF HOUSE RENTAL DEDUCTIONS**

Any FPI employee occupying Bureau housing must have the appropriate amount of rental expense deducted from their biweekly pay. When recording the civilian payroll in the general ledger for each location, the designated Central Disbursement Section staff in Central Office must debit the net amount of each payroll to the appropriate expense account (610150) and credit the Special Deposits Payable account (259000). The affected location's Accountant or designee is to debit the appropriate civilian salary expense accounts for the gross amount of the payroll and credit the 610150 account for the balance in that account and the Other Liabilities account for the amount of the rental expense withheld. The Bureau creates an Intra-governmental Payment and Collection (IPAC) to collect the funds from FPI.

6. **ACCRUING CONTINGENT ANNUAL LEAVE**

Quarterly, the Department of Justice provides FPI the Leave Liability Report, which is a listing of all FPI employees and their total leave liabilities. FMB's Corporate Reporting Section is to accrue the total dollar value of annual leave and compensatory time accumulated but not taken by that location's employees. The accrual includes compensatory time because employees who have unused compensatory time to their credit at the time of transfer or separation are to be paid for that time.

The total amount of the adjustments is to be debited or credited to the profit center's liability account, Contingent Annual Leave (261000). The corresponding entry is to be made to Contingent Annual Leave expense account 610700 or 620700 by appropriate cost center.

The Business Manager or designee is to review the spreadsheet in the close-out file containing the hours and amount of annual leave for each staff member and ensure the correct cost center is used.

The Business Manager or designee must ensure the supporting spreadsheet agrees with the end-of-year general ledger balance for the Contingent Annual Leave account.

It is not necessary to redistribute contingent annual leave amounts during the year when an employee transfers to another FPI location. The receiving factory or Corporate Reporting Section will make any necessary year-end adjustments for the employee's annual leave to the Contingent Annual Leave expense account (610700 or 620700) using the receiving factory's cost center. At year end, the factory from which the employee transferred will establish its contingent annual leave balance by not including the departed employee in its valuation.

When an employee retires or otherwise separates from the Bureau, the Contingent Annual Leave account is to be reduced by the amount of the annual leave settlement as it appears on the ASPM. Any variances in the liability account caused by this entry will be rectified when annual leave balances are re-computed at year end.

7. **INMATE PAY**

Inmate worker personnel matters are governed by the Program Statement **Federal Prison Industries Inmate Work Program**.

8. **GRADING INMATE JOBS**

All inmate positions within FPI must be supported by an FPI Form 82, Job Grading Sheet and FPI Form 83, Job Schedule.

a. **Inmate Job Grading Sheet**. Inmate pay is based upon the grade of the job performed. The grade is determined and justified using FPI Form 82. This form is used to determine categories for the duties covered by an individual position and to determine a pay grade rating for that position.

Categories of duties are matched with actual job duties. The grade is determined using the numeric weights assigned to each category of duties. The job and its rating then become a part of the FPI factory's pay grade structure for payroll purposes.

The classification method is based on the Dictionary of Occupational Titles (DOT) created by the U.S. Department of Labor. The nine-digit DOT code must be reported along with the DOT job title.

The civilian foreman, who is directly responsible for the job's performance, also is responsible for preparing the FPI Form 82. The Factory Manager or support manager (e.g., Quality Assurance Manager) must approve all FPI Form 82s within their department.

b. **Inmate Job Schedule**. FPI Form 83 displays the grade structure and level of inmate employment for each FPI factory. This form lists all current jobs, titles, and pay grades.

While FPI Form 82 is concerned with a single position's structure, FPI Form 83 is concerned with the composite structure of all positions. It is based upon FPI Form 82 information and provides data on production area skill (grade) needs.

FPI Form 83 is compiled by the Factory Manager, reviewed and approved by the location's Operations Manager and Warden, and approved by the General Manager of the business group. Each location must maintain an approved original and two copies of FPI Form 83 supported by FPI Form 82.

The General Manager 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 following records retention requirements.

c. **Business Office Inmate Positions**. The grading and scheduling of inmate jobs in areas assigned to the FMB Business Office and Warehouse are initiated by the Business Manager and reviewed and approved by the Operations Manager and the Warden.

d. **Completing the Forms**. FPI Forms 82 and 83 must be filled out completely and checked to verify that the DOT titles and codes used are recorded accurately on both forms. When job titles and codes are grouped by department or section, subtotals for those units must be shown.

Revised FPI Forms 82 and 83 are required whenever changes occur in job titles and codes, grade structure, or the number of inmate positions. Revised forms are to be processed in the same manner as the original FPI Form 82 and 83. The total authorized complement may be exceeded by up to 10 percent without referral to the General Manager when temporary or emergency situations require.

e. **Cyclic Review**. The Program Statement **Federal Prison Industries Inmate Work Program** requires that a review of inmate worker positions be completed prior to the annual Memorandum of Understanding (MOU) meeting and for any major product line change. To comply with this requirement, field locations are to submit the FPI Form 83 supporting the MOU to the respective Operations Manager for approval prior to submitting the MOU. Due dates for submitting the MOU are established in the FPI Operating Plan Development Operations Memorandum published annually.

9. **INMATE PIECE RATE PAY**

Factory Managers are to use an engineering spreadsheet to develop and support individual piece rates. Once the rates are developed, they are to be scheduled on FPI Form 83 and are considered effective after approval by the Warden and the General Manager.

10. **INDIVIDUAL INMATE PIECE RATE WORKERS**

Two factors determine the amount of payment made to individual piece rate workers. The first factor is the number of units the individual piece rate worker produces. The second factor 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 the inmate put in 150 working hours, his or 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 paycheck, those hours must be maintained for other payroll and control purposes. The number of hours provides a basis for reviewing and analyzing the current individual piece rate formula’s reasonableness compared with estimates or standards.

All FPI jobs under comparable pay systems with comparable grade assignments are to provide approximately the same compensation to inmates. The particular product group or factory involved should not be a determining factor in the payment rate made for comparable work.

11. **INMATE WAGE FUND - GROUP PIECE WORKERS**

To determine pay for inmate group piece workers, the available “wage fund” is computed by multiplying the units of production the group completed by the applicable rate or rates. The hours actually worked in the 1st, 2nd, and 3rd grade jobs are to be increased by 150 percent, 100 percent, and 50 percent respectively and then added to the hours worked in 4th grade jobs to determine basic hours. The total wage fund is divided by basic hours to determine the hourly rate for 4th grade jobs. Rates for other grade jobs are to be determined by increasing the 4th grade rate by the same percentages identified above.

Example: A group of workers produce 840 units during the month in 13,000 hours. The rate established through time study or estimated using an engineering spreadsheet is $15 per unit. The wage fund for the month is $12,600 (840 units times 15). 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 this example, this is $12,600 divided by 20,000 basic hours = .63 as 4th grade rate.

Step 3:

Job Grade	Hourly Rate/Group Worker
1st	4th grade rate plus 150% (.63 + 150% of .63 = .63 + .95 = $1.58)
2nd	4th grade rate plus 100% (.63 + 100% of .63 = .63 + .63 = $1.26)
3rd	4th grade rate plus 50% (.63 + 50% of .63 = .63 + .32 = $0.95)
4th	4th grade rate plus 0% (.63 + 0% of .63 = .63 + .00 = $0.63)]

If sufficient work is not available to provide individual and group piece workers hourly earnings equal to basic hourly rates, the Operations Manager, through the Warden, may request authority from the FPI Assistant Director to change from the group piece plan to an hourly pay plan.

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 work hourly earnings are less than hourly workers in the same grade.

12. **LIMITATION ON INMATE PIECE RATE PAY PLANS**

The Warden is authorized to set the incentive piece rates, based upon the recommendations of the Factory Manager, Operations Manager, and General Manager. Piece rates are to 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 percent above the standard rate.
The Operations Manager must explain on the monthly MOU reasons incentive rates exceed the published maximums in any given month. The explanation is to include:

- The number of inmates receiving wages in excess of 120 percent of standard pay,
- The effective hourly rate of pay, and
- The reasons for the approval.

The local work measurement coordinator must review pay rates exceeding 120 percent of the corresponding standard rate for the job grade for more than three consecutive months for accuracy. The documentation for the corresponding standard rate must then be submitted for the approval of the General Manager if any of the following conditions are met:

- Over 25 percent of the inmates assigned to the corresponding standard rate are entitled to a wage exceeding 120 percent of the piece rate for the corresponding standard rate.
- Modifications in equipment or procedures occurred since the corresponding standard rate was established.

The General Manager will approve or deny the request in writing and justify their action. If approved, the pay rate of the corresponding standard rate is effective until any of the following conditions are met:

- Over 25 percent of the inmates assigned to the corresponding standard rate are entitled to a wage exceeding 120 percent of the regular hourly wage.
- Modifications in equipment or procedures occurred since the establishment of the corresponding standard rate.
- One year has occurred since the General Manager approved the corresponding standard rate.

The Operations Manager must review all pay rates exceeding 120 percent of the corresponding standard rates for more than three consecutive months for accuracy annually, and documentation for the corresponding standard rate must be submitted for approval by the appropriate General Manager.

13. **INMATE OVERTIME COMPENSATION**

Inmates are to be paid overtime pay at a rate of twice the hourly rate for hourly, individual, and group piece workers when the total hours worked, including administrative pay, exceed the operation's regularly scheduled workday.

Example: An operation has a scheduled workday of seven and one-half hours. The inmate's regularly scheduled workday consists of five hours. If the inmate works 10 hours, the inmate has earned two and one-half hours of overtime pay (i.e., hours worked by the inmate minus the industrial operation's regularly scheduled workday). The 10 hours do not need to be continuous. The inmate, within the same workday, could have worked two shifts of five hours each.

Hours worked on days outside of the scheduled workweek (e.g., Saturday) must be compensated at the overtime rate.

For individual piece rate 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 multiplied by the number of hours worked during the overtime period to get the total overtime premium wages. The premium portion of overtime is then added to the total units produced during the overtime multiplied by the rate.

Example: Assume a scheduled workday of 7 hours in this example. The inmate works 10 hours (3 hours overtime) completing 70 units at .10 per unit; 20 of the units were completed during overtime. Overtime wages would be determined as follows:

Step 1:
Total Units (70) x Rate Per
Unit (.10) = Average Hourly Rate (.70)
Number of Hours Worked (10)

Step 2:
Average Hourly Wage (.70)
x Overtime Hours (3) = Overtime Premium ($2.10)

Step 3:
Units during Overtime (20)
x rate (.10) = $2.00 Total Overtime Pay = $2.10 + 2.00 = $4.10

An inmate worker on a standard pay plan during the regular workday who works overtime under an individual incentive pay plan must receive piece work earnings plus the inmate standard hourly wage for the overtime period.

Overtime for workers in a group piece plan is added to the wage fund after computing the base rate for each grade. This is to ensure the amount of overtime paid to one individual will not in any way affect the basic hourly rate of the other workers.

14. INMATE LONGEVITY PAY

An inmate earns an additional hourly pay allowance for longevity of FPI work service. Longevity pay rates are set by FPI's Board of Directors and implemented by memoranda issued by FPI. For longevity pay purposes, a month includes any part of a month in which an inmate is in FPI work status. Longevity pay is classified as indirect pay and may not come out of a wage fund. This pay is to be charged to the Indirect Labor; Inmate account (611500).

15. **INMATE VACATION PAY**

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 FPI work status.

	First Year	Subsequent Years
Full time	½ day per month	1 day per month
Part time	¼ day per month	½ day per month

Vacation credit is computed each month. When an 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.

Vacation pay is classified as indirect pay. Actual pay is to be at the standard hourly rate, plus longevity pay when applicable, for the grade the inmate holds when the vacation is taken. Vacation pay is charged to the Indirect Labor; Inmate account (611500).

16. **INMATE ACCIDENT COMPENSATION**

In addition to 28 CFR Part 301, information on the Inmate Accident Compensation Program is contained in the booklet "Inmate Accident Compensation Procedures" given to new inmates upon arrival at the institution, and in the Program Statements **Occupational Safety** and **Federal Prison Industries Inmate Work Program**.

Lost time wages paid to inmates for the period during which they are medically idle, hospitalized, or confined to quarters due to work-related injuries are charged to the Inmate Accident Compensation account (612200). These expenses are to be charged to the applicable operation and not to the Other Expenses account (618200).

To maintain control over payment of lost time wages to inmates transferred to a medical referral center (MRC) to treat a work-related injury, the following actions must be taken:

- Continue to accrue the inmate lost time wages on the payroll; and
- Before initiating payment to the inmate, determine monthly, through telephonic or written communication from the Medical Director, that the inmate is still receiving treatment for the work-related injury.

17. **POST-RELEASE INMATE ACCIDENT COMPENSATION**

The Business Manager must 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.

Definite awards are a fixed amount and paid in a lump sum. The total award liability is to be established in the Accrued Expenses account and charged to the Inmate Accident Compensation account (612200).

Payable individual subsidiary records for each award are to be maintained. Expenses are to be transferred quarterly to the program responsible for the award.

Indefinite awards are specific monthly awards made up for an indefinite period. Charges must be paid monthly as authorized by the Bureau, charging the Inmate Accident Compensation account (612200).

18. **FUNDS DUE DECEASED INMATES**

If an inmate dies with such monies owed to them from the United States, payment is not authorized except to a legal representative of the estate or in accord with the laws of descent and distribution of the state of domicile.

Such claims will be settled when presented by a legal representative of the estate, or by the deceased inmate's relatives, showing their relationship and other necessary proof that such arrears of compensation are properly payable to them.

19. **PREPARATION OF INMATE INDUSTRIAL PAYROLL**

Inmate payroll will be processed in accordance with payroll processing procedures available on FPI's FMB intranet site.

20. **INMATE FINAL WAGE**

Inmates upon release will be paid any funds due to them when they leave the institution, either via advance pay or by applying the funds to the inmate debit card issued by the institution on the next scheduled monthly payroll.

21. **REVIEWING CIVILIAN SALARY AND INMATE LABOR RELATED EXPENSES**

After all civilian and inmate payroll disbursements and accruals for the month have been recorded, the Business Manager or designee at each location must print and review by location the report of expenses or other equivalent report. Each cost center and element is to be reviewed for reasonableness, and any errors are to be corrected. This review must be completed before the monthly closeout.

REFERENCES

Program Statements
Occupational Safety
Human Resource Management Manual
Federal Prison Industries Inmate Work Program

Federal Regulations
28 CFR Part 301, Inmate Accident Compensation

FPI Forms
FPI Form 82
FPI Form 83

ACA Standards
Evidence-Based Standards and Expected Practices for Adult Correctional Institutions (5th Edition): 5-ACI-7A-07(M), 5-ACI-7A-08, 5-ACI-7A-09, 5-ACI-7A-10, 5-ACI-7A-11

Evidence-Based Standards and Expected Practices for Adult Detention Facilities (5th Edition): 5-ALDF-5C-10, 5-ALDF-5C-11(M), 5-ALDF-5C-12, 5-ALDF-5C-13, 5-ALDF-5C-14, 5-ALDF-5C-15

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.