



U.S. Department of Justice
Federal Bureau of Prisons

PROGRAM STATEMENT

OPI: ADM/FIN
Number: 2250.03
DATE: May 8, 2017

Accounting – Recording Obligations

/s/

Approved: Thomas R. Kane
Acting Director, Federal Bureau of Prisons

1. PURPOSE AND SCOPE

This Program Statement (PS) establishes policies and procedures for recording obligations and complying with the Statement of Federal Financial Accounting Standards (SFFAS) No. 1, Accounting for Selected Assets and Liabilities, and SFFAS No. 5, Accounting for Liabilities of the Federal Government.

In accordance with SFFAS Nos. 1 and 5, the accrual basis of accounting provides that accounts payable be recognized when the Bureau of Prisons (Bureau) receives goods or services. Goods or services that are not received and accepted are considered undelivered orders.

This PS establishes the requirements for quarterly obligation reviews by the Cost Center Managers (CCMs) and the Office of Financial Management (OFM).

In addition, it requires each OFM to review during September, prior to year-end, all open obligations to ensure that proper accrual accounting has been followed, the obligations are recorded properly as undelivered orders or accounts payable, and the estimated obligation amounts are accurate.

Each Chief Executive Officer is required to certify that the review of obligations has occurred and corrective action has been taken.

a. **Summary of Changes**

Policy Rescinded

P2250.02 Accounting – Recording Obligations (4/2/2004)

This revision of the Program Statement includes the following changes:

- Changed all references of Controller to Business Administrator.
- Changed all references of Warden to Chief Executive Officer or CEO.
- Removed all Financial Management Information System (FMIS) references and updated to refer to the Financial System, including updating the General Ledger account numbers and general processing in the Financial System.
- Provided Cost Center Manager guidance on how to request a purchase order for Annual Obligations.
- Added a note that any adjustments, up or down, must be made on a modification to the purchase order/contract.
- Added that electronic or hard copies of obligation subcertification reports are acceptable.
- Removed section titled Diskette Control.
- Removed section titled Minor Invoice Differences.
- Clarified wording on the requirement for a quarterly review of obligations that are \$20,000 or more. The previous policy had over \$20,000 and \$20,000 or more.
- Added that the final report for the quarterly review of obligations that are \$20,000 or more must be generated on the first business day of the next month for the previous quarter end.
- Added the requirement that the CCM responsible for inmate medical service obligations, both inside medical and outside medical, that are made up of multiple medical visits/trips must provide a print-out of a detailed spreadsheet which includes the inmate names and related service costs that support the total obligation to the Business Administrator each month.

b. **Program Objectives.** The expected results of this program are:

- The Statement of Federal Financial Accounting Standards will be complied with by the Bureau.
- Reviews will be completed on open obligations quarterly and annually.
- Bureau obligations and expenses will be properly reported on the audited financial statements.

c. **Institution Supplement.** None required. Should local facilities make any changes outside the required changes in the national policy or establish any local procedures to implement the national policy, the local Union may invoke to negotiate procedures or appropriate arrangements.

2. DEFINITIONS

- a. **Business Administrator.** For the purposes of this Program Statement, the title of Business Administrator is used to represent all of the different titles currently being used to identify the head of the local OFM.
- b. **Financial System Obligation Module.** This is used to establish/modify obligations as undelivered orders or accounts payable. It also provides current management information reports.
- c. **Undelivered Orders (U/O).** These are obligations for goods or services that have not been received by, or performed for, the Bureau. The Business Administrator must ensure that obligations for ordered goods are established in undelivered orders, rather than accounts payable, within two business days of receipt of the obligating document.

The items must remain in undelivered orders until they are received and accepted, as evidenced by a properly prepared Receiving Report (or other appropriate evidence).

- d. **Accounts Payable (A/P).** These are obligations for goods or services that the Bureau has received. The Business Administrator must ensure that obligations are liquidated from undelivered orders and established as accounts payable when the Bureau receives goods and services.

Services are to be established as accounts payable in the month in which the services are performed.

- e. **YREGDOC.** The YREGDOC is an alphanumeric indicator that stands for fiscal Year (1 digit), **REG**ister (2 characters), and **DOC**ument number (5 digits). A six-digit document number may be assigned.

A unique YREGDOC must be assigned to each obligation and is associated with the obligation from the time it is established through payment. The CCM ordinarily assigns the YREGDOC.

- f. **Register.** The register in the YREGDOC is tied to each account class/cost center and is used to facilitate the numbering and grouping of obligation documents.
- g. **Document Number.** The document number assigned as part of the YREGDOC must not begin with zero and must be numeric.

h. **Obligation Month.** The obligation month is the month in which the obligation reduces/affects funds availability.

i. **Available Month.** The available month is the month in which the obligation is available to make payments against.

j. **Recurring Obligation.** A recurring obligation is established for services being provided continually across months and is a definite amount each month. Recurring obligations are entered directly from the purchase order or contract.

A recurring obligation is established for a total amount and can be assigned to months or distributed across months. An example of a recurring obligation is a monthly rental – the same amount is obligated and paid for each month.

k. **Annual Obligation.** An annual obligation is a type of recurring obligation and is established for services being provided continually, but for which the monthly obligation amount may vary from month to month.

Payments can exceed the monthly obligations, but not the annual obligation. The CCM should request the annual obligation as a single line amount based on historical data on the purchase order. The CCM should attach his/her accrual memorandum distributing the amount by month. The memorandum must be adjusted monthly to reflect actual expenses, not to exceed the total purchase amount. A modification must be prepared at the end of the year to reflect actual expenses. Utilities are an example of an annual obligation.

The accruals established for future months are not automatically reduced when a monthly payment exceeds the monthly accrual. Therefore, the system will allow the total payments plus the accruals to exceed the annual contract amount.

It is important that CCMs monitor their accruals and adjust them accordingly to ensure the obligations (payments plus accruals) do not exceed the annual contract amount.

l. **Non-recurring Obligation.** A non-recurring obligation is normally a one-time purchase, recorded against a single obligation month.

Note: For contracting records purposes, any adjustments, up or down, must be done on a modification to the purchase order/contract.

3. OBLIGATION PROCESS

The OFM will verify all procurement documents to ensure the account class, fund, sub-object, program, and amount are proper, and verify the CCM's validation of funds availability.

The OFM must ensure all obligation documents and evidence of receipt of goods and services are promptly date-stamped when received and recorded in the accounting system within two business days of receipt. Every effort must be made to ensure obligations are entered in the month they are incurred.

Obligations are to be entered at face value rather than net of discount. An obligation description is required to be entered into the Financial System Obligation Module and must include pertinent information to identify the obligation clearly.

Obligations must be entered using the Financial System Obligation Module. The data is keyed directly from the purchase order/contract. The Financial System Obligation Module will indicate the required fields. The Obligations user guide provides the specific steps to follow. The subcertification reports must be kept chronologically for Program Review purposes. Electronic or hard copies are acceptable.

4. CANCELED YREGDOCS/OBLIGATIONS

Cancel is used to void invalid funding groups in order to set up corrected funding groups. In addition, Cancel is used to void entire obligations due to:

- Canceled purchase orders.
- Use of the wrong YREGDOC numbers.
- Canceled travel.
- Mistakes, etc.

If necessary, the Financial System will allow users to change the status of canceled YREGDOCs. **Never** cancel an obligation for which payments have been certified.

Obligations with payments must be closed by ensuring the obligation status is Final, marked by an "F".

5. VALIDATION REQUIREMENTS

Each open undelivered order and accounts payable obligation represents funds reserved or encumbered for paying for goods or services covered by an obligation document. It is essential

that each obligation:

- Represent a valid commitment.
- Be supported by detailed documentation.
- Be properly classified.
- Be for the proper amount.

6. BUSINESS ADMINISTRATOR'S RESPONSIBILITY

It is the Business Administrator's responsibility to determine that all amounts reported as obligations are accurate and supported by proper documentation. Obligations must be based upon properly executed documents and amounts must be recorded in official Bureau accounts.

Care must be taken to guard against the deterioration of the open obligation records and files due to:

- Accumulation of adjusted differences.
- Failure to establish an accounts payable.
- Failure to liquidate obligations that have been paid.
- Failure to "final" completed obligations.
- Failure to estimate or record obligations accurately, etc.

The Business Administrator must conduct quarterly reviews of all obligations of \$20,000 or more (\$50,000 for Relocation Services, Accounting Operations Section, and the Central Office Business Office). The reviews must be conducted prior to the end of the quarter, so that the appropriate corrective action may be taken before the close of business for the quarter.

The quarterly reviews will be evidenced by a list of all obligations of \$20,000 or more (\$50,000 for Relocation Services, Accounting Operations Section, and the Central Office Business Office), to specifically certify their accuracy. The list must be signed by the Business Administrator.

The list must be printed from the Financial System, using the "Future Obligations" option to ensure obligations through the end of the year are included. The report must be generated on the first business day of the next month for the previous quarter end.

The Business Administrator will also sign a certification stating that the review and corrective action was completed prior to the close of business for the quarter. The list of obligations must be attached to the certification. The Business Administrator will maintain the certifications on file.

A copy of the third quarter certification must be routed to the Regional Comptroller. Regional Comptrollers will certify, by July 15 of each year, via memorandum to the Chief, Finance Branch, that review, certification, and corrective action of open obligations was completed for institutions in their Region, and attach copies of their institutions' certifications and lists of obligations.

The Central Office Business Office, Accounting Operations Section, Relocation Services Section, and Management Specialty Training Center send their certifications directly to the Chief, Finance Branch.

The Business Administrator must follow the steps outlined in Section 11 of this PS for fourth-quarter obligations.

7. COST CENTER MANAGER'S RESPONSIBILITY

The CCM is responsible for preparing accrual estimates for all annual and recurring obligations, based on the historical data and experience of the CCM.

The accrual estimates will be used by the OFM when entering the obligations into the Financial System.

Monthly, an obligation report listing all obligations, both current and prior fiscal years, will be made available to each CCM. The CCM reviews this report for accuracy and notifies the Business Administrator in writing of any adjustments needed to the estimated accruals.

The CCM will also provide written verification to the Business Administrator, prior to the end of each quarter, that all obligations and accruals for each appropriation (current and prior fiscal years) have been reviewed, and provide calculations or supporting documentation for any necessary adjustments.

The CCM responsible for inmate medical service obligations, both inside medical and outside medical, that are made up of multiple medical visits/trips must provide a print-out of a detailed spreadsheet which includes the inmate names and related service costs that support the total obligation to the Business Administrator each month.

The CCM is responsible for a monthly verification of credit cardholders' purchase card statements, ensuring the accuracy of the charges, accounting classifications of each transaction, and indicating all corrections needed.

The approved statements will be forwarded to the OFM as soon as possible after receipt of the statement, for prompt reposting in the Financial System.

The CCM will also provide the OFM the information needed to fulfill the year-end purchase card requirements described in Section 8.j. of this PS.

8. SPECIFIC OBLIGATION REQUIREMENTS

The following specific requirements apply to certain obligations, as set forth in SFFAS Nos. 1 and 5.

a. Fixed Quantity Procurements

(1) **Tangible Goods.** Initially, purchase orders must be obligated in undelivered orders. Upon receipt of a Receiving Report (or other appropriate evidence) indicating receipt of the goods, the amounts must be established as accounts payable and liquidated from undelivered orders.

(2) **Non-personal Services Contracts.** Contracts for non-personal services or other services that span several months or the entire fiscal year are obligated initially in undelivered orders. The appropriate monthly amount is established as an accounts payable and liquidated from undelivered orders during the month in which the services are performed.

In the Financial System Obligation Module, obligations of this type are considered recurring or annual obligations for which the Financial System automatically liquidates from undelivered orders and establishes as accounts payable at the beginning of each month.

All services that have billing periods that cross over two months must have an accrual established in accounts payable before the end of each quarter for the amount of services that have been provided, but will not be paid for before the end of the quarter.

b. **Requirements Contracts.** Requirements contracts allow the Bureau to order services when it requires the services. There is not a guaranteed minimum amount. Upon receiving a delivery order, which indicates that services have been requested, an obligation is established in undelivered orders. As goods or services are received, as evidenced by the appropriate documentation (delivery ticket, receiving report, etc.), the appropriate amounts are liquidated from undelivered orders and established as an accounts payable. If the delivery order indicates the service will be performed in the current accounting month, it may be obligated initially in accounts payable.

Supplies, services, or medical contracts may be requirements contracts, as the Supervisory Contract Specialist determines.

c. **Indefinite Delivery, Indefinite Quantity (IDIQ).** This type of procurement has a minimum requirement established in the contract. Initially, the minimum amount is to be established in undelivered orders.

As delivery orders are processed and the goods and services are received, as evidenced by appropriate documentation, the obligation is established in accounts payable and liquidated from undelivered orders.

Upon satisfying the minimum amount (the total minimum amount has been liquidated from undelivered orders), obligations are established in the same manner as obligations for requirements contracts.

Tangible goods and services, including medical services, may be IDIQ procurements, as determined by the Supervisory Contract Specialist.

d. **Construction Contracts.** Construction contracts are obligated initially in undelivered orders. The appropriate amount must be established as an accounts payable and liquidated from undelivered orders at the end of each month.

In determining the accrual amount, formal acceptance of the goods or services being provided is not the determining factor. Estimates of the work completed, based on an evaluation of actual performance and costs incurred, must be used in determining the accrual amount.

Monthly, the OFM must receive written estimates from the Facility Manager for the amount of costs to be liquidated from undelivered orders and established as an accounts payable. The estimates must be received by the OFM and entered into the Financial System before the end of the month.

e. **Government Bills of Lading (GBL).** The GBL will be established as an accounts payable in the month the goods are shipped.

f. **Travel Authorizations.** Travel authorizations are entered in the Financial System prior to the beginning of the travel, or as soon as possible after the travel begins for unexpected/emergency travel.

g. **Travel Authorizations at Fiscal Year End.** Obligations for TDY travel will be charged to two fiscal years if the travel is performed in two fiscal years. Entry into the Financial System

Travel Module will require the use of two YREGDOC numbers, one for each fiscal year to be charged.

(1) **Common Carrier Fare.** The total fare is charged to the appropriation that is current when the travel begins.

(2) **Per Diem.** Per diem is prorated between the two fiscal years based on the number of days in travel status each year.

(3) **Rental Car.** The rental car obligation is prorated between the two fiscal years, based on the number of days the car is used in each fiscal year.

(4) **Other Expenses.** Charge taxi, mileage, and phone calls to the appropriation that is current when the expense is incurred.

h. **Relocation Obligations.** Reimbursable expenses for an employee transferred in the interest of the Government must be obligated against the appropriation current when the employee is notified of the relocation and the travel orders are issued. The obligation remains in that appropriation until the relocation voucher is settled or the obligation is no longer valid.

i. **Commercial Credit Card Purchases.** Reposting of the cardholders' monthly statements, as approved by the CCM, will be accomplished before the close of business each month.

j. **Commercial Credit Card Accruals at Year-end.** Purchase card accruals will be established prior to the year-end closing, using the following guidelines:

Prior to closing the fiscal year (September 30), CCMs must notify the OFM of all purchase card transactions that have not shown up on the cardholders' monthly statements. These are transactions that have not been expended in the Financial System.

The CCMs will notify the OFM by submitting a written accrual document listing the vendor name and itemizing the purchases, stating the date goods or services were received or stating that they are undelivered.

In cases where the OFM receives an accrual document indicating receipt of the goods or services, it is appropriate for the obligation to be entered in A/P. Otherwise, these accruals must be entered in U/O.

When establishing the accruals in the Financial System, the OFM must establish a separate obligation for each Federal (F) vendor. The obligations must be established using the actual

vendor name and tax identification number (TIN), as well as marking the Federal/Other indicator as “F”. Obligations that are established for Non-Federal vendors may be added together in one obligation using the Federal/Other indicator of “O”.

In addition, all credit card accruals must use a YREGDOC that follows the “_CCA_” format. The first digit must be the current Fiscal Year and the last four digits a local identifying number.

Note. If an institution or region chooses to enter credit card accruals during the year, the accruals must be established using the “CCA” YREGDOC format described above.

The CCM must immediately notify the OFM, in writing (e-mail), if any purchase card items accrued in U/O are received on or before September 30.

When notification of delivery is received, the OFM must move the obligation from U/O to A/P (within two business days of receipt and prior to October 1).

By October 1, the CCM must provide the Business Administrator with a written document, certifying the final year-end classification status (A/P or U/O) of each purchase card transaction that remains outstanding on September 30. This document, reflecting purchase card obligation verification by the CCM, will be forwarded to the Regional Office as an attachment to the Annual Verification of Obligations certification.

For transactions remaining in U/O at September 30, receipt of the goods or services must continue to be documented by the CCM, as evidence that the classification in U/O at year end was proper. This documentation (packing slips, invoices, or purchase card order forms showing a signed and dated goods and services stamp) will be retained by the CCM for audit purposes.

k. Medical Obligations Year-end Review. Due to the complications in maintaining accurate medical obligations, the following steps must be completed at year-end.

After the year-end cut off for new purchases and prior to September 30, the Health Services Administrator (HSA) must review the open medical obligations to determine if amounts are valid and that classifications, as A/P or U/O, are appropriate.

The necessary adjustments must be itemized as decreases or increases in obligation values or reclassifications between A/P or U/O, and included in a written document signed by the HSA and provided to the Business Administrator. The Business Administrator ensures all discrepancies noted on the itemized adjustment document are corrected and entered in the Financial System prior to year-end closeout.

This document, reflecting medical obligation verification by the HSA, will be forwarded by the Business Administrator to the Regional Office as an attachment to the Annual Verification of Obligations certification.

1. **Telephone Charges and Metered Utilities.** All telephone charges and utilities that are based on meter readings will be established in the Financial System as annual obligations, as defined in Section 2.j. Examples of metered utilities are electricity, water, and natural gas.

When the billing period for telephone and metered utilities crosses over two months, the obligation for that period must be established in the month the billing period ends. The obligation will not be prorated or split between the two months.

For example, if the water meter is read on the 15th of every month, the entire obligation for the period of 4/16/16 to 5/15/16 will be obligated in the month of May, not split between April and May.

m. **Unfunded Liability Accrual for Certain Utilities.** In accordance with 31 U.S.C. § 1308, charges for telephone and metered services such as gas, electricity, water, and steam for a time period beginning in one fiscal year and ending in another fiscal year may be charged against the appropriation or allotment current at the end of the time period covered by the service.

Prior to year-end, a partial month liability accrual must be established as a future funded expense and an unfunded liability whenever certain utility billing periods span parts of two fiscal years.

This is accomplished by entering a Generic transaction code (TC) 2030, with the fund code of current year, for the estimated amount of the expenses incurred in the current year (through September 30).

At the beginning of the new fiscal year, the unfunded liability accrual, entered in the prior year, must be reversed. A negative TC 2030 for the same amount as the establishment transaction, with the new fiscal year fund code, must be entered in the Financial System. Accounting Systems and Policies in the Central Office will process the reversal entry as part of the new Fiscal Year opening process.

When the payment is made, the full amount of the bill, including that applied to the prior year, will be charged to the new fiscal year appropriation.

For example, if the billing period for electricity is from 9/20/16 to 10/20/16 and the estimated charges for 9/20 to 9/30 are \$9,500, enter the following transactions:

By 9/30/16	TC 2030	FY 16	Fund 02	\$9,500
October business	TC 2030	FY 17	Fund 02	(\$9,500)

n. **Recording Obligations in a Timely Manner at Year-end.** As required by Section 3, obligations are to be recorded in the accounting system within two business days of receipt. At year-end, it is critical that all known obligations be entered and properly classified as accounts payable or undelivered orders prior to close-out.

To ensure these liabilities are recognized properly, the following procedures must be completed:

- Receiving reports must be completed promptly and forwarded immediately to the accounting office as required by the Program Statement **Trust Fund/Deposit Fund Manual** for all goods received in September.
- Receiving reports for items received in September must be entered in the accounting system prior to year-end close-out.
- The Business Administrator and/or Trust Fund Supervisor must verify that receiving reports have been prepared for all items received prior to September 30.
- The Business Administrator (Budget and Accounting Officer at locations without a Business Administrator) will verify that all receiving reports have been entered into the accounting system prior to year-end close-out.

9. MULTIPLE PAYMENT REGISTERS

A multiple payment register is used to keep track of a series of payments or partial payments made against an individual contract or purchase order (see Attachment A for an example of the format to be used).

a. **Contracts.** A multiple payment register must be established for each numbered contract identifying each payment by date paid and total contract amount paid to date. When the final payment has been made, the multiple payment register must be forwarded to the contracting officer for review and filing in the contract file.

b. **Purchase Orders.** A multiple payment register may be used to record partial payments for purchase orders. If used, the multiple payment register must show the total dollar amount and indicate the individual line items paid for on each payment. The register must also show the remaining balance left open on the purchase order. When the final payment has been made, the multiple payment register must be attached to the final payment voucher.

10. ACCRUALS FOR INDEFINITE QUANTITY PROCUREMENTS

The Business Administrator has the managerial duty to establish monthly obligations for items such as telephones and utilities (not all-inclusive), based upon estimates provided by the CCM. It is the CCM's responsibility to ensure the estimated obligations are accurate and based on the best data available.

The straight-line method of estimating **should not** be used if historical data is available. Historical data and the experience of the CCM are usually available from which to make accurate estimates.

Accruals for recurring and annual obligations are entered into the Financial System Obligation Module for the total amount of the obligation document. They must be entered in undelivered orders and distributed across months in the amounts the CCM determines. At the beginning of each month, the Financial System Obligation Module will automatically transfer the monthly accrual from undelivered orders to accounts payable for all obligations established as recurring or annual.

In addition, as stated in Section 7 of this Program Statement, the CCM must review and adjust these accruals monthly, if necessary.

The CCM will also provide written verification to the Business Administrator each quarter that all accruals have been reviewed and provide calculations or supporting documentation for any adjustments deemed necessary.

The CCM may adjust accrual distribution at any time by submitting the required adjustments in writing to the Business Administrator. In particular, estimates for medical/hospital services must be closely monitored and adjusted as necessary. These types of services typically are difficult to estimate initially and must be adjusted as more facts and circumstances become known (i.e., length of hospital stay is extended, more extensive surgery is required than originally anticipated).

11. ANNUAL CERTIFICATION

During September, prior to each fiscal year close-out, the Business Administrator must review all open obligations, for all fiscal years and funds, and take necessary corrective action to ensure obligation amounts are accurate, are properly established as undelivered orders or accounts payable, and appropriately classified as Federal (F) or other (O).

Each CEO must certify, by **October 10**, via memorandum to his/her Regional Director, that such review, validation, and corrective action of open obligations was completed prior to the fiscal year close-out. This certification must include the following attachments:

- A list of all open obligations of \$20,000 or more (\$50,000 for Relocation Services, Accounting Operations Section, and the Central Office Business Office), signed by the Business Administrator verifying their accuracy.
- A copy of each CCM's written documentation certifying the year-end classifications of purchase card accruals, as described in Section 8.j.
- A copy of the HSA's written documentation certifying the dollar amounts and classifications of open medical obligations, as described in Section 8.k.

The Regional Directors must certify, by **October 20**, via memorandum to the Assistant Director for Administration, that such review, validation, and corrective action of open obligations was completed for their Regions prior to the fiscal year close-out. It is not necessary to forward the CEOs' certifications and attachments with this memorandum.

REFERENCES

Program Statements

P4100.05 BOP Acquisitions Manual (03/03/16)
P4500.11 Trust Fund/Deposit Fund Manual (04/09/15)

Other References

SFFAS No. 1 Statement of Federal Financial Accounting Standards, Accounting for Selected Assets and Liabilities
SFFAS No. 5 Statement of Federal Financial Accounting Standards, Accounting for Liabilities of the Federal Government
31 U.S.C. § 1308 Telephone and Metered Services

ACA Standards (See Program Statement Directive Management Manual, Section 2.5 & 10.3)

American Correctional Association Standards for Adult Correctional Institutions, 4th Edition: 4-4025, 4-4031
American Correctional Association Performance Based Standards for Adult Local Detention Facilities, , 4th Edition: 4-ALDF-7D-11
American Correctional Association Standards for Administration of Correctional Agencies, 2nd Edition: 2-CO-1B-01, 2-CO-1B-05
American Correctional Association Standards for Correctional Training Academies: 1-CTA-1B-01, 1-CTA-1B-02, 1-CTA-1B-05, 1-CTA-1B-06

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 Sallyport.

