



U.S. Department of Justice
Federal Bureau of Prisons

PROGRAM STATEMENT

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Central Accounts Receivable – FPI

/s/

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Director, Federal Bureau of Prisons

1. PURPOSE AND SCOPE

This Program Statement updates and consolidates policies and procedures relating to centralized accounts receivable. The Chief, Centralized Accounts Receivable (CAR), delegated responsibility for ensuring that invoicing and collection procedures are performed per regulatory guidance to achieve optimum results.

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

- Consolidated functions will ensure billing and collection procedures are consistent.
- The risk of fraud or misclassification of Government funds will be reduced.
- Cash flow will improve due to more timely deposits and collections.
- Customer accounts will be strictly monitored to ensure satisfaction.
- Improved accuracy of recording transactions.

b. **Summary of Changes**

Policies Rescinded

P8531.07	Plastic Card Collection Network - FPI (6/13/02)
P8531.08	Overdue Accounts Receivable Program (6/13/02)
P8531.10	Deposits (7/12/02)
P8534.08	Advance Payments (6/26/02)

2. ACTION REQUIRED

Staff shall follow the procedures and meet the standards in this Program Statement.

REFERENCES

Program Statements

P1237.13 Information Security Programs (3/31/06)
P8340.07 Quality Program Manual - FPI (1/14/00)
P8534.07 Cash Reporting and Reconciliation (3/22/02)

Other References

Federal Acquisition Regulations (FAR)
Treasury Financial Manual (TFM) Volume 1
Federal Register 12 CFR Part 229
Public Law 108-00

ACA Standards

None.

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Abbreviations and Acronyms

CAR	Centralized Accounts Receivable
CIN	CASHLINK Identification Number
CSC	Customer Service Center
EDI	Electronic Data Interface
FAR	Federal Acquisition Regulations
FD	Free of Charge Delivery
FRB	Federal Reserve Bank
G/L	General Ledger
IAA	Inter-Agency Agreement
IACRO	Inter-Agency Cost Reimbursement Order
IPAC	Intra-Governmental Payment and Collection
ISPB	Interagency Solutions and Procurement Branch
IVR	Interactive Voice Recognition
MIPR	Military Interdepartmental Purchase Request
PCCN	Plastic Card Collection Network
POS	Point of Sale
RE	Return Sales Order
SD	Subsequent Delivery
STO	Stock Transfer Order
TFM	Treasury Financial Manual
TIN	Tax Identification Number
WAWF	Wide Area Work Flow

Chapter 1. INVOICING

1. PURPOSE

This chapter establishes procedures for billing UNICOR customers for payment of products or services provided. Billing is both a manual and an automated process. Once billed, an accounts receivable is established in the Corporate General Ledger (G/L). Billing occurs after a Finished Goods shipment has occurred or after services have been rendered. Several factors influence the timing of billing: evidence of acceptance by the customer, revenue recognition procedures, and the customer's purchase requirements.

2. INVOICING

Invoicing is performed at least twice daily, except during cutoff periods, and uses data processed via the automated information system, **SAP**, for orders shipped by factories or satisfying pre-established parameters for non-delivery-related items.

a. **System-Generated Invoices.** The system generates invoices, debit memos, and credit memos in numerical sequence independent of type of transaction. Invoices are generated for one or more of the following payment methods:

- **Intra-Governmental Payment and Collection (IPAC).** Used by Government agencies for collections or disbursements processed through the Department of the Treasury's interagency collection system. Invoices to be paid by this method are accumulated in an electronic file and transmitted daily to Treasury.
- **Electronic Data Interface (EDI).** Invoices for EDI orders are electronically forwarded to the customer; a hard copy invoice is not generated.
- **Advance Payments.** Invoices associated with advance payments are generated and maintained with the customer advance and liquidated daily. A hard copy is sent to the customer only on request.
- **Credit Card.** Invoices paid by credit card are processed per procedures in Chapter 3.
- **Other.** Some payment types are invoice-driven. The invoice is mailed to the customer per the terms and conditions in the contract. Customers remit payments based on their agreement.

At a minimum, all invoices must include:

- Name of customer, agency, or business.
- Invoice number and date.
- Contract number or authorization for delivery of product.
- Description, price, and quantity of products or services.

b. **Manual Invoices.** Two types of manual invoices are produced for use by UNICOR.

- **Consolidated or corrected invoices** are requested by the customer to facilitate billing, or requested by UNICOR staff. Invoices must match customer contracts/purchase orders and may require consolidation or revision. Each manual invoice contains a unique identifier number, and is approved for issue by designee(s) of the Chief, CAR. Final approval remains with the Chief, CAR.
- **DD Form 250.** The Department of Defense normally requests the use of DD Form 250, Materials Inspection Receiving Report, or any other authorized electronic or online receipt mechanism, in lieu of a system-generated invoice. This consolidates inspection, acceptance, delivery, shipping, and invoicing on one form.

When an authorized electronic mechanism is not available, designated financial management staff at the field location ensure the DD Form 250 is completed and the payment copy is sent to the Chief, CAR, within 24 hours. The field site scans the DD250 and sends it via GroupWise to CS_AR. If scanning capability is unavailable, the DD250 may be sent via clear, legible fax. Upon receipt of the DD250, CAR staff compare it to the contract/purchase order and the system-generated invoice. When contractual invoicing occurs within the Wide Area Work Flow (WAWF) environment, all DD250s, or their substitute, will be used for data entry and quality review only – they are not referred to as the “original invoice.”

3. INVOICE ADJUSTMENTS

An adjustment or credit memorandum may be issued in cases of incorrect sales order data, invalid invoice data, unrecognized discounts, or other circumstances. They must be approved by the Chief, CAR.

4. RETURN ORDERS

Merchandise is sometimes returned to the factory by the customer. A return sales order (RE) is created in **SAP** and linked to the original sales order to facilitate a return sales order invoice (credit), generated in **SAP**. RE sales orders are not used with Stock Transfer Orders (STOs)- an STO is a purchase order used between FPI locations. The RE references the customer’s original sales order and contains the same terms and conditions, unless the originator changes them manually. When the RE is invoiced, it reduces the factory sales and creates a credit on the customer account that can be applied to the open receivable, a subsequent delivery of merchandise, or returned.

5. SUBSEQUENT DELIVERY

Subsequent deliveries (SD) are sales orders created in reference to the original sales order and used to clear an RE. The SD contains the same terms and conditions as the original sales order.

6. FREE OF CHARGE

Free of Charge deliveries (FD) must be used judiciously - **not** in combination with an RE, as no customer account entry is generated.

7. INVOICING ERROR REPORT

When a system error prohibits the release of accounting data, an error report can be generated listing all invoices requiring corrective action. To ensure accuracy and the release of accounting data, errors must be corrected in a timely manner.

8. INVOICE CANCELLATIONS

Documentation is maintained in **SAP** for cancelled invoices.

9. BILLING BLOCKS

Billing Blocks are applied to prevent untimely or incorrect invoicing due to customer, contractual, or corporate procedures and requirements. Only the Chief, CAR, or designee, can remove the blocks.

Chapter 2. CREDIT CARD COLLECTION

1. PURPOSE

This chapter establishes billing and collection procedures for payment of orders when a customer uses a credit card. The credit card is processed via an automated payment system in conjunction with the Department of the Treasury - a secure online processing and reporting system that provides payment acceptance solutions. Final settlements are processed through the system to a Treasury-approved financial institution.

2. AGENCY PARTICIPATION

Agency participation with financial institutions or services is negotiated and administered through the Department of the Treasury.

3. CUSTOMER ORDERS

Credit card orders are received over the Internet, or via phone, fax, or hard copy at the Customer Service Center (CSC). Credit card orders can also be accepted at field locations via Point of Sale (POS) hardware. Orders received at CSC can be processed in several ways, including the Interactive Voice Recognition (IVR) system, or any other automated system, which allows the customer to enter a card number and expiration date using the telephone keypad. The information is transferred to the financial institution or service authorized by Treasury to process the payment for FPI.

a. **Pre-Authorization Process.** The financial institution verifies the validity of the card and determines that there is adequate credit to complete the payment. The pre-authorization is relayed back to **SAP** and stored until the order has shipped. Authorizations have a limited life span and may need to be re-authorized before payments are collected.

b. **Invoicing Process.** The Chief, CAR, initiates invoicing after the order has shipped. He/she ensures that the invoice provided to the customer is marked "Paid via Credit Card."

c. **Settlement/Collection Process.** The settlement function automatically posts a lump sum journal entry to clear the appropriate General Ledger (G/L) account(s) and record the receivable to G/L Account "Accounts Receivable Credit Card Clearing." Billing information from **SAP** will continue to process through the credit card that connects **SAP** via software that transmits information to the credit card clearing house. The clearing house presents the collection information to the financial institution that makes entries to Treasury for FPI.

If a collection cannot be made because the credit card is no longer valid or the amount exceeds the card limit, the receivable remains on the customer's account. If an invoice has not been generated because of an error in authorization, CAR notifies the customer within 72 hours to obtain credit card information to release the accounting data and process the charge by the end of

the accounting month. If not, the invoice must be released and the open receivable posted to the customer account.

Designated staff have access to the credit card software to bill customers manually or via other processes. These transactions must be processed per this Program Statement.

4. RECONCILIATION

The Chief, CAR, ensures that reconciliations are performed as appropriate. On a daily basis, staff access Treasury's CASHLINK, or any other approved system, and print the Deposit Detail and/or Summary Reports. These reports, in conjunction with the middleware software system reports, are used to reconcile credit card receipts and deposits. Transaction reports from middleware and **SAP** must be reviewed to ensure settlements were processed appropriately.

Field sites using POS hardware must send reconciled details to the CAR Accountant within 24 hours of processing a POS transaction. The details, at a minimum, must include:

- Customer name and number.
- Sales Order number and line item.
- Plant.
- Point of contact at plant.

5. SECURITY OF PERSONAL INFORMATION

Inmates **must be restricted from** access to data files and hard copy documents containing customer credit card information. Data fields in **SAP** that contain credit card information can only be accessed by approved staff. Violations of credit card security at field locations, Customer Service Center (CSC), Central Office, or CAR are reported per Information Security Programs policy. (P1237.13)

Chapter 3. OVERDUE ACCOUNTS RECEIVABLE

1. PURPOSE

This chapter establishes procedures for managing overdue accounts receivable relating to Government agencies and the estimation of quarterly allowances.

To ensure effective cash management, it is vital that FPI promptly collect payment of invoices for goods or services. Accounts that have not been paid must be monitored to ensure collection procedures are implemented.

The Chief, CAR, reviews financial reports and aging schedules to ensure a realistic value is represented for the Corporation's accounts receivable.

2. OVERDUE RECEIVABLES

Receivables are overdue when the invoice for payment has not been received 60 days after the invoice date, unless otherwise specified in the contract terms and conditions. The Chief, CAR, ensures collection efforts are begun for overdue accounts.

3. COLLECTION PROCEDURES

The Chief, CAR, designates staff to monitor and perform the collection process. Other UNICOR staff may be required to assist.

When invoiced amounts are aged past their due date, the following procedures must be used to ensure resolution of disputes and document collection efforts:

- The customer is contacted via phone, fax, or email for invoices that remain uncollected after 45 days from the invoice date, using a 15- or 30-day cycle, whichever is applicable.
- If the initial attempt to contact the customer failed, or a response has not been received from a previous attempt (i.e., email, fax), additional attempts must be made until successful.
- If the initial attempt to contact the customer was successful, the customer is contacted every 30 days until the invoice is either paid or written off.

Contacts with the customer are documented in **SAP**. At a minimum, the information listed below must be entered in the text field of the system screen, via the Invoice screen or the Sales Order screen, by UNICOR staff or inmates.

- Contact date.
- Contact method (phone, fax, etc.).
- Name, title, telephone number of the person contacted.
- Reason for nonpayment.
- Any terms for resolution.
- Commitment by the customer to pay.

- Individual entering the text.

At the discretion of the Chief, CAR, unsuccessful collection attempts may be forwarded for assistance to field locations or Corporate Management. Such requests must contain written details of collection efforts, including invoice numbers, point of contact, and pertinent backup documentation.

On a case-by-case basis, the Chief, CAR, may authorize variations from these collection procedures due to circumstances or regulations outside the scope of this Program Statement.

4. INVOICE REVERSAL AND CORRECTION PROCEDURES

The Chief, CAR, ensures invoices are created as accurately as possible. However, invoices may be deemed incorrect or invalid when there was not an agreement between the customer and UNICOR regarding selling price, number of units, item number, shipping date, etc.

The Financial Specialist cancels or reverses erroneous invoices in a timely manner. The reversal is applied to the same G/L accounts as the original invoice. Prior year invoices are the exception, and are handled per Section 5 below.

5. APPROVAL AND WRITE-OFF PROCEDURES

Prior Year invoices that are deemed invalid, and any invoice that has been deemed uncollectible, may be written off, with approval. The Financial Specialist determines the probability of collecting invoices that are at least 120 days old and where collection efforts have failed.

Once the Financial Specialist has determined that an invoice is uncollectible, a written request is forwarded to the Chief, CAR, for determination. The Financial Specialist certifies that attempts to collect the debt have been made (see certification format below) and provides the following information:

- Invoice number.
- Customer name.
- Dollar amount to be written off.
- Reason(s) for non-payment.
- Collection efforts.
- Reason(s) invoice are considered uncollectible.
- Accounts being used for write-off.

The **SAP** text and any pertinent correspondence are used as support documentation for the write-off request. Requests for write-off must be authorized by these respective officials:

- | | | |
|---|--------------------|--------------------|
| ■ | \$0 - 50,000 | Chief, CAR |
| ■ | \$50,001 - 100,000 | FPI Controller |
| ■ | \$100,001 and over | Assistant Director |

After the invoice has been approved for write-off and approvals obtained, the Financial Specialist initiates a credit memorandum transaction in **SAP**. The transaction is reviewed before posting to ensure that amounts are charged to the correct Allowance or Bad Debt Expense Account.

The following statement accompanies requests for write-offs:

“I certify that the required attempts have been made to collect the amount in question and that this dollar amount is not collectible.”

Certification: _____ Date: _____

Name and Title

Approval: _____ Date: _____

Name and Title

Upon completion of the journal entry, the support documentation is returned to the Financial Specialist responsible for the actual write-off of the amount in **SAP**.

The following General Ledger Accounts are affected:

- **Debit:** G/L Account Allowance for Doubtful Accounts
- **Credit:** G/L Account Accounts Receivable, Government Billings

If G/L Account “Allowance for Doubtful Accounts” does not contain a dollar amount equal to or greater than the write-off, then G/L “Bad Debt Expense” is debited.

If the invoice is subsequently collected, the G/L Account originally debited is credited and G/L Account “Cash – Operating,” or other appropriate account is debited.

6. PROCEDURES FOR RECEIVABLES OVER ONE YEAR PAST DUE

Government receivables more than one year old, regardless of value, must be written off following approval and documentation per the procedures outlined above. CAR staff must request an exemption from the Chief, CAR, for receivables over one year old that have not been written off.

Write-off entries are made using the following guidelines:

a. **One-Year-Old Invoices.** Invoices over 1 year old have an allowance established against them. The entry for this allowance will be to Debit G/L Account “Bad Debt Expense” and Credit G/L Account “Allowance for Doubtful Accounts.” This allowance is established at the CAR level. Collection efforts continue on these invoices. The CAR Operating Accountant makes this entry.

b. **Invoices over One Year Old.** A quarterly review of these invoices is conducted by the Financial Specialist. Any item that is not collectable may be removed from the Accounts Receivable Aging Report and G/L Account “Allowance for Doubtful Accounts.” By removing the collectable, the write-off is expensed. Collection efforts continue on any item over one year old that still remains on the Accounts Receivable Aging Report.

c. **Two-Year-Old Invoices.** Per OMB A-129, invoices over two years old are considered without value and are removed from the Accounts Receivable Aging Report and G/L Account “Allowance for Doubtful Accounts” unless the invoice is in litigation, placed with another Government agency, or subject to waiver. Public debts over \$100,000 must receive prior approval from the Department of Justice (DOJ). This ceases further collection efforts.

7. VALUATION OF ACCOUNTS RECEIVABLE

To ensure that accounts receivable are reasonably stated, the Chief, CAR, estimates an allowance for doubtful accounts based on historical write-off data. Documentation supporting the write-off criteria is maintained by the Chief, CAR, and reviewed periodically to ensure the criteria are still substantiated by historical data.

At the end of each month the CAR Accountant calculates the amount that should be in G/L Account “Allowance for Doubtful Accounts” based on established criteria. The required journal entry is posted by the second work day of the following month.

Chapter 4. DEPOSITS

1. PURPOSE

This chapter establishes procedures for control and accountability of funds for deposit of governmental and non-governmental checks into FPI's Treasury account using the Treasury Department's Paper Check Conversion Over the Counter Program (PCC OTC), or any other authorized system.

These procedures reduce risks associated with fraud or misclassification of FPI funds and ensure that deposits are made per Treasury's guidelines on cash receipts.

2. REMITTANCES

Receipts from customers for goods purchased, services rendered, or refunds from employees or vendors are processed by CAR. Remittances can be received in the form of a personal check or U.S. Treasury Check that is scanned and transmitted to the Department of the Treasury.

3. U.S. TREASURY CHECKS AND NON-U.S. TREASURY CHECKS

Remittances received at a field location or Central Office in the form of a U.S. Treasury Check or non-U.S. Treasury Check are forwarded within one business day to the FPI post office box in Lexington, KY. The post office box address is included on contracts, purchase orders, and invoices where the expected payment method is a Treasury or Non-Treasury check. Remittances are processed by CAR through PCC OTC, which converts paper checks into electronic debits to the check writer's account through the Automated Clearing House (ACH) system, or into a substitute check image that is truncated and cleared under the authority of Check 21 (21st Century Act; Federal Register 12 CFR Part 229 and Public Law 108-100)

4. PROCESSING CHECKS – FIELD LOCATIONS/CENTRAL OFFICE

Staff at the field location or the Central Office enter checks into a "Check Received Log" upon arrival. Staff at CAR ensure that checks are picked up daily and logged before the close of business on the date received. CAR PCC OTC users verify and sign the "Check Received Log" and process the checks into the PCC OTC system.

Staff at the field location ensure that the customer and employee are aware that checks must be accompanied by payment advice and forwarded each day by mail to the following address:

UNICOR, Federal Prison Industries, Inc.
PO Box 11890
Lexington, KY 40578-1890

A memorandum is included listing the following:

- Institution Name.
- Factory.
- Point of Contact (name and number) at the field site.
- Customer Number, if available.
- Sales Order with Line Item or General Ledger Account and cost center, if applicable.

5. LOGGING CHECKS AND DEPOSITS – CAR

The Chief, CAR, designates staff to pick up the checks from the Lexington post office box and log them into the Check Received Log. PCC OTC users at CAR verify log entries daily and initial the log. The log contains, at a minimum, date check was received, check date, check number, amount, and signature of the person who picked up the checks from the post office box and logged them.

Checks are picked up at least once per business day between 7:00 a.m. and 11:00 a.m. Checks are processed through PCC OTC the same day as pick-up, regardless of the amount. Checks on hand are stored in a fireproof safe or locked cabinet until processed. Once processed, they remain in the safe or cabinet for 14 days before shredding. Checks are batched as they are processed so that all checks to be destroyed on a particular date are kept together. PCC OTC users handle shredding and initial and date the Check Received Log.

a. **Deposit Tickets.** An Automated SF-215, Deposit Ticket, is printed out each day and signed by the PCC OTC user. The six-digit deposit number on the automated SF-215 must never be altered, typed over, or changed in any manner. The SF-215 is distributed as follows:

- Original kept with the Check Received Log.
- Copy kept on file to support daily cash reports from the U.S. Treasury.

b. **Recording the Deposit.** The Chief, CAR, ensures that deposits are recorded accurately, in a timely manner, in FPI's accounting system. Deposit tickets are reconciled and posted within 48 hours to the cash and clearing account within the accounting system. An exception would be if the Treasury Cashlink system is unavailable and **SAP** is unavailable to post. Exceptions are noted in the required **SAP** text once it is posted. Use the following **SAP** accounts:

- **General Ledger Cash Accounts: Debit**
G/L Account 111000 (Cash-Operating – Check Receipts)
- **General Ledger Clearing Accounts: Credit**
G/L Account 136300 (Unapplied Payments – Non Treasury and Treasury) – Non-Treasury and Treasury checks

Before posting deposits in the accounting system, the Register of Remittance Received or equivalent is signed by the staff member recording the checks, indicating it agrees with the

memorandum accompanying the checks. Deposit documents are reviewed by a CAR staff member to determine if:

- The deposit amount agrees with the total of the checks and the Register of Remittance Received or equivalent.
- The appropriate staff member, normally the accountant or accounting technician, and the staff member who logs the check, signed the Register of Remittance Received or equivalent.
- The correct Agency Location Code was used in the Automated SF 215.
- The adding machine tape with the total of all checks is included in the deposit. A second adding machine tape is included in the deposit back-up and kept in CAR.

A second staff member reviews documentation and forwards the review to the staff member making the deposit. A copy of the Register of Remittances is filed with a confirmed copy of the Automated SF-215, Deposit Ticket, and supporting documentation.

c. **Checks That Do Not Clear.** Two attempts are made on the next two business days to process checks through the PCC OTC before an Automated Debit Voucher, SF 5515, is processed. Once the Automated SF 5515 is printed out after the two attempts, the Chief, CAR, reestablishes the non-Treasury receivable onto the customer's account.

If the check is uncollectible, CAR uses collection procedures outlined in TFM, Volume 1, Part 6, Section 8000, and TFM Publication "Cash Management Made Easy." Interest and administrative charges may apply to non-governmental accounts.

Chapter 5. ADVANCE PAYMENTS

1. PURPOSE

This chapter establishes procedures for maintaining accountability of advance and progress payments provided to FPI by customers.

2. DEFINITIONS

a. **Advance Payments.** Payments made to FPI before costs are incurred on a corresponding contract, purchase order, or customer agreement.

b. **Progress Payments.** Payments made to FPI after costs are incurred on a contract. Generally, progress payments are advanced and liquidated at a predetermined rate, based on the product's selling price.

c. **Military Interdepartmental Purchase Request (MIPR).** Form DD448, used by the Department of Defense (DOD) to obligate funds. Funds may be obligated as an advance payment, progress payment, invoice payment, or a combination of these. The MIPR may be used to place orders and approve fund transfers to other agencies.

d. **Partial Payments.** Payments made to FPI for supplies and services accepted by the customer that satisfy only a portion of the contract requirements.

3. PROGRESS PAYMENTS

Progress payments are made under the general guidance of FAR Subpart 32.5, Progress Payments Based on Costs. Although "progress payment" and "advance payment" have been used synonymously, they are distinct in their applications.

The Prime Business Manager and remote accountant at the field location associated with an order must work closely with CAR on progress payments. They request progress payments per terms outlined in the customer contract/order. Support documentation generated by the field for advance requirements (i.e., purchase orders) is forwarded to CAR before acceptance of contracts/purchase orders or MIPRs.

Documentation to support the collection of cash is prepared by CAR as required by the customer. The field will not prepare any invoicing documents or other revenue documents. As progress payments are received by CAR, a liability is established (at the plant level but overseen by the Chief, CAR) using G/L account 231010, Progress Payable. Monthly reconciliations of customer transactions and balances are prepared by the remote accountant or the prime business office and **sent to CAR for review by the 5th work day of each month.**

As goods are shipped to the customer, the Progress Payable account is reduced per the terms outlined in the customer contract/order. The invoice and associated progress payment are liquidated by CAR after receipt of required documentation by the Financial Specialist.

4. ADVANCE PAYMENT CRITERIA

Per statutory authority, partial payments are authorized and advance payment clauses may be included in a contract at the discretion of the Contracting Officer. Inclusion of a partial payment clause is requested by FPI Marketing/Program Management for the customer during contract negotiations.

When negotiating contracts with customers, FPI Marketing/Program Management staff must request advance payments for orders of \$500,000 or more. A complete, legible copy of the customer's contract must be sent to CAR before initiating transactions related to progress payments. The following criteria for obtaining advances apply to FPI:

- Federal statutes require that advance payments not exceed the unpaid contract price and that advances must be in the public interest or facilitate the national defense.
- Advance payments must not exceed FPI's interim cash needs, based on the cash flow required for contract performance.
- Advance payments must be the most advantageous contract financing method for both the Government contracting agency and FPI.

5. APPROVAL AND COLLECTION OF ADVANCE PAYMENTS

Advance payments must be authorized by the agency before invoicing and collection, regardless of whether a MIPR, contract, purchase order, or existing UNICOR order is used to obligate funds.

A complete, legible copy of the customer's contract must be sent to CAR before initiating transactions related to progress payments. Advance fund authorizations must be forwarded to the Chief, CAR, for collection.

When authorizing advance payments, DOD agencies generally use the MIPR. MIPRs must be received by the Chief, CAR, within 2 business days after receipt by the location.

a. **Military Interdepartmental Purchase Request (MIPR).** The MIPR may specify any or all of the following:

- Purpose for which the funds are to be used.
- Appropriation code.
- Contact name, address, phone, and fax number.
- Authorization for transferring funds, when applicable.

If DOD approves, funds are collected in advance by:

- Voucher and Schedule of Withdrawals and Credits (SF-1081).
- Statement of Transactions (Treasury 224).
- Intra-Governmental Payment and Collection.
- Check.

DOD agencies may also use an Inter-Agency Cost Reimbursement Order (IACRO) in lieu of the MIPR to obligate funds and advance payments. The Inter-Agency Agreement (IAA) form may also be used to obligate funds.

If not already authorized, the Chief, CAR, must request an advance on MIPRs in excess of \$500,000. Upon receipt of the MIPR, the Chief, CAR, reviews and signs it.

b. Non-MIPR Advance Payments. Contracts or purchase orders may be used by civilian agencies to authorize advance payments. These contracts must be reviewed by the Customer Service Center, Sales/Marketing, and program management for advance payment authority. These sections promptly forward a copy of the contract to the Chief, CAR, if advance payment is authorized.

Upon receiving written authorization for advance payment from a customer, the Chief, CAR, initiates collection procedures per customer requirements and FPI and U.S. Treasury directives.

6. ACCOUNTING FOR RECEIPT OF ADVANCE FUNDS

The Chief, CAR, maintains accountability of advance funds, including advances associated with progress payments. The Prime Business Manager and the remote accountant submit monthly reconciliations to the Chief, CAR, indicating each customer with a progress payment and the remaining open balance. This reconciliation is compared to the CAR subsidiary spreadsheet for final accountability. The Financial Specialist forwards discrepancies to the Chief, CAR, for final determination.

A liability must be established for advance payments received using G/L Account 231000, Advances Payable:

- Advance payments are recorded in the appropriate cash account or the Cash Advance account.
- Cash advances of less than \$1 million are recorded as Cash-Receipts.
- Cash advances of \$1 million or more are recorded as Cash Advances.

7. LIQUIDATION OF ADVANCES

The Financial Specialist liquidates the advances received as invoices are generated for goods and services shipped against corresponding customer contracts that are prepaid.

8. AUDIT AND REFUND OF ADVANCE BALANCE

The Chief, CAR, is responsible for:

- Reviewing activity in the Advance Payables account monthly.
- Notifying customers of advance payment balances that have been inactive for more than 12 months.
- Performing an audit of any advance payment balance that has been inactive for more than 24 months. This includes a review of orders and shipping information in the **SAP** database.
- Disbursements of advance payments.

If any advances carry a negative balance of more than \$1,000, CAR contacts the program manager, customer, and Financial Management Branch for resolution. If negative balance items have not been resolved within 120 days, the invoice must be written off.

After the audit has been completed and the account balance has been determined to be accurate, the Chief, CAR, contacts the customer to obtain disposition instructions for the advance payment balance. The customer is given the opportunity to purchase more goods and services with funds remaining on the advance payment.