



Program Statement

OPI: FPI
NUMBER: 8532.08
DATE: 3/15/2002
SUBJECT: Accounts Payable -
Internal Control
Procedures, Prompt
Payment and Processing
Vendor Payments (FPI)

1. **PURPOSE AND SCOPE.** To establish policies and procedures to be followed in paying commercial obligations in a centralized disbursement environment and establishing an internal quality control program to ensure compliance with Prompt Payment guidelines as codified in Title 5 of the Code of Federal Regulations (CFR) Part 1315 and the Debt Collection Improvement Act (DCIA).

The U.S. Congress passed the Prompt Payment Act, Public Law 97-177, in 1982 and amended it in 1988 as Public Law 100-496. The act requires Federal Agencies to pay their bills on time, pay interest penalties when due, and take discounts only when the payment is made by the discount date. This law was further implemented with the issuance of the Office of Management and Budget (OMB), Circular A-125, Prompt Payment Act as amended by 5 CFR, Part 1315 issued on September 29, 1999, with an effective date of October 29, 1999.

The government's ability to make timely payments will:

- facilitate relationships with vendors,
- improve competition for government business, and
- reduce the costs associated with purchasing goods and services.

In addition, 5 CFR Part 1315 further requires agencies to establish an internal quality control program to quantify payment performance and qualify corrective actions.

In an effort to comply with cash management initiatives, using electronic media as a cash management tool is emphasized as reflected by the DCIA (4/26/96). The DCIA mandates using electronic systems and electronic fund transfer for all vendor payments made after January 1, 1999. In addition, it requires that the electronic system used be able to provide complete and useful management reports on payments as required by the Prompt

Payment Act. Currently, Federal Prison Industries (FPI) uses an integrated payment system which can transmit files electronically to the Department of Treasury for processing payments.

2. **PROGRAM OBJECTIVES.** The expected results of this program are:

a. Payment will be made according to guidelines established in 5 CFR Part 1315 and the DCIA of 1996.

b. Consistency will be provided in making payments, determining due dates, interest penalties, and taking discounts.

c. Quality control reviews of FPI's payment process will be conducted periodically to determine compliance with 5 CFR Part 1315.

d. Late and early payments will be minimized or eliminated.

e. Department of Treasury requirements for designating Certifying Officers will be met by FPI.

f. The accuracy of payment information will be ensured.

3. **DIRECTIVES AFFECTED**

a. **Directives Rescinded**

PS 8532.05 Disbursements Through the Electronic Schedule
Processing System (Accounts Payable), FPI
(6/11/99)

b. **Directives Referenced**

PS 1237.11 Information Security Programs (10/24/97)
PS 8000.01 UNICOR Corporate Policies and Procedures
 (5/13/81)
PS 8530.02 UNICOR Acquisition Policy (7/13/00)
PS 8534.03 Cash Reporting (Cash Management) (12/12/95)

TRM 8501.02 FPI Chart of Accounts (6/20/99)

Treasury Financial Manual (TFM), Volume 1
5 CFR Part 1315 (9/29/99)
National Archives and Records Administration (NARA)
General Records Schedule (6/1988)

4. **STANDARDS REFERENCED.** None

5. **DEFINITIONS.** The following terms and/or acronyms are defined and used throughout this PS.

a. **Acceptance.** An acknowledgment by the government (i.e. employee) that goods and/or services have been received (partially or in full) and conform with the contractual agreement's requirements.

b. **Accountable Officer.** An employee by virtue of his or her position or designation by the FPI Controller responsible for the obligation and accountability of funds held for safe keeping:

- ▶ **Approving Official** - an accountable officer responsible for the pre-audit and approval of payment vouchers, prior to certification to ensure the payment's legality and accuracy.
- ▶ **Payment Sub-certifier** - an accountable officer responsible for verifying voucher payment data entered by the Data Entry Operator (DEO) into the Accounts Payable and/or Material Management Module, prior to certification.
- ▶ **Certifying Officer** - an accountable officer delegated to certify and release payment vouchers for disbursement by the Department of Treasury.
- ▶ **Disbursing Officer** - an accountable officer ultimately responsible for disbursing funds via the U.S. Treasury.
- ▶ **Security Administrator (SA)** - an accountable officer responsible for providing technical assistance and maintaining the integrated payment system.

c. **Automated Clearing House (ACH).** A network that performs interbank clearing of electronic debit and credit entries for participating financial institutions.

d. **Banking Information.** Information obtained for the electronic transfer of funds which includes a bank account number and bank routing number.

e. **Electronic Funds Transfer.** An electronic system used to transfer payment data and funds from an originator to a recipient's account at a designated financial institution.

f. **Data Entry Operator (DEO).** An individual designated to enter or key data into an automated system via a computer terminal.

g. **Payment Office.** Office(s) in which invoices are received and processed for payment. A prime Business Office is the payment office for its satellite location.

h. **Taxpayer Identification Number (TIN).** The nine digit Employer Identification Number or Social Security Number as defined in the Internal Revenue Code used for income tax reporting purposes.

i. **Vendor.** Any person or entity that the government owes money for goods and services or reimbursement.

j. **Integrated Payment System.** The name used to identify the Systems Application and Product (SAP) used by FPI in data processing of resource planning, production and payments, commonly known as **Millennium**.

6. **INTERNAL CONTROLS.** In accordance with the General Accounting Office (GAO), agencies are required to establish internal controls which provide reasonable assurance that the unauthorized acquisition, disposition, or use of an agency's assets are detected promptly and/or prevented. Therefore, the need for adequate internal controls as related to voucher payments and computer security are required to avoid the potential for fraud.

Each industrial operation's Associate Warden, Industries & Education (AW(I&E))/Superintendent of Industries (SOI) and the FPI Controller and/or Deputy Controller must maintain internal control over disbursements through the following procedures:

a. **Delegation of Authority.** The Director has delegated the FPI Controller the authority to designate accountable officers, such as certifying officers, sub-certifiers, and cashiers for payment offices located in Central Office and various field locations. In addition, Security Administrators (SA) are designated as accountable officer(s) because of their duties and responsibilities with the integrated payment system.

A Delegation of Authority for the FPI Controller form (FMS 2958), must be completed and submitted to the Department of Treasury, Financial Management Services for approval.

The FPI Controller's delegation authority is valid for two years and must be renewed prior to expiration. The Director will be notified two months prior to the pending expiration.

b. **Designation of Accountable Officers.** In accordance with delegation authority, the FPI Controller is responsible for approving accountable officers requested by the AW(I&E)/SOI from field locations and Central Office.

(1) **Sub-certifier.** The AW(I&E)/SOI (Field level) and Financial Manager (Central Office) must recommend at least two staff members to perform the duties as a primary and alternate sub-certifier for their respective location.

A memorandum must be submitted to the FPI Controller requesting sub-certification authority for each individual. The memorandum must include:

- ▶ request payment sub-certifier approval;
- ▶ employee name and title;
- ▶ name of employee being revoked, if applicable;
- ▶ effective date; and
- ▶ any other pertinent information.

The memorandum must include the typed name of the employee and a "sample" of the employee's signature.

Upon approval, the FPI Controller will maintain the original request and approval. A copy will be returned to the appropriate location and must be maintained on file. In addition, the FPI Controller or designee must ensure a copy of the approval is submitted to the local SA requesting that appropriate authorization be established in the integrated payment system.

In addition, the SA must never establish authorizations for financial management staff without the FPI Controller's written approval. The FPI Controller will maintain requests pertaining to Central Office employees.

Designations for sub-certifying authority are valid until revoked by the FPI Controller. However, if a sub-certifier transfers to another location or departs the agency, the sub-certification authority must be revoked.

The AW(I&E) or Financial Manager is required to submit a request to the FPI Controller within 48 hours after an employee's duties are no longer required at the specific location. The FPI Controller or designee is responsible for ensuring a copy of the

revocation is submitted to the SA revoking authorizations established in the integrated payment system. A copy of the revocation must be maintained on file.

(2) **Certifying Officers (Central Office Only).**

Disbursements are made **only** from the Central Office location. Therefore, the FPI Controller must designate certifying officers at the Deputy Controller's recommendation.

The Controller must request certifying authority by submitting a Designation for Certifying Officer to the Department of Treasury, Financial Management Services form (FMS 210) for each employee.

A signed copy of the SF-210 will be returned to the FPI Controller from FMS, indicating approval. This copy must be maintained on file. The SA is to be notified immediately to request the applicable authorizations be established in the integrated payment system.

Certifying Officer designations are valid for two years from the effective date, unless revoked sooner. FMS will notify the FPI Controller two months prior to the expiration of certifying authority. If a request for renewal of certification is not submitted prior to the expiration date, a new SF-210, classified as a "Re-Designation," must be completed. FMS will not accept further certification for individuals after the expiration date.

(3) **Annual Review.** The Deputy Controller must review the list of FPI payment sub-certifiers and certifying officers annually to ensure the list is current and accurate. The review is to include comparing the current list of authorized payment sub-certifiers and certifying officers to the names assigned to the appropriate authorization groups obtained from the SA.

(4) **Accountable Officer Liability.** An accountable officer may be held personally liable and/or subject to disciplinary actions for the loss or improper payment of funds for which they are accountable. Therefore, accountable officers must be cognizant of applicable federal regulations and department policies and procedures governing the type of payments being made.

An accountable officer must seek the written advise of FPI's counsel, if he or she is in doubt about the legality of authorizing a payment of government funds. This legal advice can constitute the basis for relieving an accountable officer from the liability of an improper payment.

c. **Segregation of Duties.** Duties relating to the receiving of goods and services, preparing a contract, and paying invoices must be performed independently of each other (i.e. contracting personnel may not prepare or release vouchers for payment). To ensure the process' integrity and reliability, duties are to be defined so that one individual does not control more than one "key" function of the transaction. However, depending on the circumstances, the FPI Controller may grant exceptions.

In addition, a certifying officer may not certify vouchers in which he or she is the payee.

d. **Pre-Audit of Disbursement Vouchers.** The approving official and the sub-certifier are to perform the pre-audit of payment vouchers prior to certification. The approving official is responsible for verifying the validity, legality, and accuracy of documents supporting the payment to include:

- ▶ the payment is authorized pursuant to law and regulations (i.e. travel regulations) and complies with the purchase order's terms (i.e. quantity, price and description of goods and/or services);
- ▶ quantities and prices on the payment voucher are correct and the goods and services have been received;
- ▶ the invoice is proper and accurate;
- ▶ authorized signatures;
- ▶ the appropriate payee;
- ▶ amount of administrative deductions, if applicable;
- ▶ calculation of interest charges, if applicable; and
- ▶ the proper voucher forms are attached.

In addition, the approving official must sign the Voucher Payment Cover form indicating the review was conducted and the invoice is proper for payment.

The sub-certifier is responsible for reviewing and verifying data entered into the integrated payment system via the Accounts Payable and/or Material Management Module. The review must be evidenced by the sub-certifier's signature on reports printed as identified in subsection 9.g.

The pre-audit must never be done by an inmate.

In addition, each document must be reviewed to ensure the accuracy of the accounting information and all administrative changes must be initialed by the sub-certifier. The Business Manager or designee at field locations and the FMB Accounts Payable Supervisor or designee in the Central Office is

responsible for ensuring that the appropriate account classification code is referenced on each document to ensure proper classification of goods and/or services.

e. **Computer Security.** In accordance with the Program Statement on Information Security Programs, inmates are allowed to perform data entry using computers with hardware and software needed for the specific task to be performed. Therefore, permissions for staff and inmates within the automated system are to be established limiting access to functions that would prohibit the segregation of duties as defined in Subsection 6.c. above.

Inmates must never have access to sensitive data such as banking information, social security, or credit card numbers.

Also, a distinction must be made between computer systems that are staff use only and inmate use. Therefore, PCs inmates use must be labeled "**Inmate Access.**" The label must be clearly visible.

It is imperative that this Program Statement be followed strictly.

f. **Mutilation of Payment Voucher.** The mutilation of payment vouchers is considered evidence that the voucher was processed and paid through the integrated payment system. All voucher(s) entered into the integrated payment system for disbursement must be maintained in a suspense file until notified that Central Disbursement submitted the payment to Treasury.

The Disbursing and Budget officer or designee must notify locations weekly of the payment runs generated for that week. The Business Manager is responsible for generating a "Payment List/Exception Report" identifying all payments accepted and rejected during this run. All payment vouchers referenced on this report are to be removed from the suspense file and stamped with the word "PAID," payment run date, and payment run number. All payment vouchers on the exception list must be researched and information corrected prior to the next payment run.

All other vouchers will remain in the suspense file until they appear on the report. In addition, paid invoices must be maintained and filed by payment run number for audit purposes. An alphabetical file must also be maintained to include a copy of the Voucher Payment Cover Form, invoice, and any debit memorandums associated with the payment.

7. **PROMPT PAYMENT.** Prompt payment is described synonymously with timely payments in 5 CFR Part 1315. Timely payments are defined as:

- payments not made late (after the due date or discount date) and
- payments not made early (more than seven days before the due date).

All FPI Business Offices must adhere to guidelines established in 5 CFR Part 1315 when making payments. The guidelines specify:

- the type of documents required for payment to vendors,
- calculation of due dates,
- interest penalties,
- rebates, and
- taking discounts.

Parameters established within FPI's automated financial management system used by all FPI locations incorporate these guidelines.

a. **Basic Payment Documents.** In accordance with the prompt payment guidelines, the following basic documentation must support all payments FPI makes:

(1) **"original" vendor invoice** - document from a vendor requesting payment for goods and/or services,

(2) **receiving report or services received stamp** - certification that goods and/or services were received, and;

(3) **purchase order** - certified procurement document authorizing the purchase of supplies and/or services.

The payment voucher is assembled after receipt of all basic documentation. In addition, the applicable staff member must sign the receiving report (if applicable) and purchase order until notified by management of electronic signature authority.

b. **Administrative Changes.** The approving official may adjust the invoice amount when it exceeds the price quoted on the contract. However, this deduction cannot exceed \$100 and the vendor must be notified via a debit memorandum, when the payment is made.

If the invoice amount exceeds \$100 and can not be substantiated the purchase order must be amended prior to payment. If not, the

invoice is improper and must be returned promptly to the vendor.
In addition, adjustments may not be made for unaccounted line item freight charges and credit card settlements.

The sub-certifier must initial all administrative changes to the invoice amount indicating review and approval of the deduction.

c. **Due Dates.** In accordance with the prompt payment guidelines the payment due date is 30 days from the **latter of:**

- (1) **the date the invoice is received, or**
- (2) **the date goods and/or services are received and accepted, unless otherwise specified in the contract.**

d. **Discounts.** Discounts reduce costs associated with the purchasing goods or services. A Contracting Officer may negotiate a discount with the vendor or the vendor may offer a discount for payment within a specified time frame (i.e. 2%, net 10). However, discounts may only be taken if:

- (1) the vendor offers the discount on the invoice or it is stated in the contract,
- (2) it is economically justified, and
- (3) after acceptance has occurred.

The Department of Treasury developed and published a formula in the Treasury Financial Manual, 1 TFM 8040.30, which must be used to determine if a discount should be taken. The results of this calculation is compared with the Current Value of Funds Rate (CVFR). Therefore, discounts can be taken only if the discount terms used in the formula result in an effective annual interest rate equal to or greater than the CVFR. The published formula to use to calculate discounts is:

Conversion Formula

$$\frac{\text{Discount \%}}{100\% - \text{Discount \%}} \times \frac{360 \text{ (Always)}}{\text{Number of days in Payment Period} - \text{Number of days Left in Discount Period}} = \text{Effective Annual Discount Rate}$$

Example: Date Invoice Received: May 1
 Date Goods Received: May 5 (4 days after invoice)
 Invoice Discount Terms: 2%/10, net 30
 CVFR: 5%

$$\frac{.02}{1.00 - .02} \times \frac{360}{30 - (10-4)} = .306 \text{ or } 31\%$$

***Note:** The agency had 10 days to take the discount; four days has elapsed between receipt of the invoice and goods. Therefore, the difference between these dates is used in the formula.

In this scenario the effective annual discount rate (31%) exceeds the CVFR (5%). Therefore the discount should be taken and the payment made accordingly.

The Business Manager and FMB Accounts Payable Supervisor or designee must ensure discounts are taken appropriately for discounts vendors offer. The discount period starts the day after the date the vendor placed on the invoice or the "if paid by date." If the vendor fails to note a date on the invoice, the date received and date stamped by the payment office are to be used. The payment will be made as close to the discount date as possible, but not later than the discount date.

If a Contracting Officer negotiates a discount, the Material Management Branch (MMB) will enter the discount terms into the integrated system. However, if the discount is offered on the invoice, the Data Entry Operator (DEO) will enter the discount's terms when the invoice is entered into the integrated payment system.

Under no circumstance should a discount be taken after the discount period has ended. However, if a discount is taken after the discount period has ended and the discount is not repaid prior to the payment due date, interest penalties will accrue on the unpaid amount.

e. **Credit Card Rebates.** Payments for credit card purchases under \$2,500 may be made without documentation that items have been received. However, due to system configuration, locations must enter a receiving report for processing payment(s) for credit card purchases. In addition, the payment cannot be made more than 30 days after receiving a proper invoice.

Payments for invoices over \$2,500 must be paid 30 days after receiving a proper invoice or date specified in the contract, unless a rebate is offered for payment in full prior to verification that goods and/or services have been received.

If a rebate is offered for the early payment of credit card purchases exceeding \$2,500, the Business Manager, Accountant, or designee must compute a cost analysis to determine if the early payment would benefit the government. The cost analysis would require a simple computation using the CVFR, and the interest rate the government would have earned had the payment not been made early. The CVFR is published annually in the Federal Register and is disseminated to field locations by FMB. The computation's result is compared to the daily basis points the credit card issuer offered.

The following formula published in 5 CFR Part 1315 must be used to calculate the basis for the government.

Formula: $CVFR/360 \times 100 = \text{Basis Points}$

Example: Daily basis offered by card holder - 1.5
CVFR - 5%

Calculation: $5/360 \times 100 = 1.4$ (rounded)

Results: The payment should be made as soon as possible since 1.5 is greater than 1.4. However, if the rates were reversed the payment would be made on the prompt payment date.

If the basis points the card issuer offered is greater than the results obtained from the computation, savings to the government are maximized and payment should be made at the earliest possible date. However, if the basis points the card issuer offered is less than the results obtained from the computation, the government will minimize costs by paying on the prompt payment due date or the date specified in the contract.

f. **Late Payment Interest Penalties.** In accordance with provisions established in 5 CFR Part 1315, all payments not made by the payment due date are subject to assessment of an interest penalty, including vouchers with discounts. The temporary unavailability of funds does not relieve the obligation to pay late payment interest penalties or additional penalties.

Late payment **interest penalties will be paid regardless whether the vendor requests them.** Any adjustments to the amount due because of an erroneous interest calculations can be made up to one year.

The integrated payment system will age all payables depending on the due date established in the system. The system will calculate the amount of interest due for payments not made prior to the 31st day and will generate an arrears letter.

g. Interest Calculation. Interest is calculated and is accrued daily from the day after the payment due date until the payment is made. The interest is calculated on a 30 day basis for any unpaid balance. Subsequent interest penalties will accrue and will be added to the principal and interest penalties until paid.

The prevailing interest rate in effect on the day after the due date is to be used in calculating interest and will be based on a 360 day year. This rate is published semi-annually (January and June) of each year and will be updated in the integrated payment system by the Financial Manager or designee.

The following calculations are to be used to compute late payment interest penalties:

Calculation:

Step one - Multiply the Dollar amount owed to vendor by the applicable interest rate = X

Step two - Divide X by 360 (always) = Y

Step three - Multiply Y by the number days payment is late = interest penalty

Initial Scenario:

Invoice amount:	\$10,325
Applicable interest rate:	8.125%
Number of days late:	14 days

Example 1 - initial interest calculation:

Step one - $10,325 * 8.125\% = 838.91$

Step two - $838.91 / 360 = 2.33$

Step three - $2.33 * 14 = 32.62$ (Interest Payable)

Required Payment: \$10,357.62

Example 2 - 1st 30 days principle and interest unpaid:

Step one - $10,357.62 * 8.125 = 841.56$

Step two - $841.56 / 360 = 2.34$

Step three - $2.34 * 30 = 70.20$ (Interest Payable)

Required Payment: \$10,427.82

Example 3 - 1st 30 days paid principle only:

Step one - $32.62 * 8.125 = 2.65$
Step two - $2.65 / 360 = .007$
Step three - $.007 * 30 = .22$ (Interest Payable)

Payment Required: \$32.84

In addition, if a discount is taken after the discount date interest will accrue beginning on the day after the specified discount date on the amount of the discount taken until paid.

Scenario

Invoice Amount:	\$10,000
Discount Amount:	\$1,000
Discount Period:	1 - 10 May
Payment Date:	25 May
Amount Paid:	\$9,000
Applicable Interest Rate:	8.125%
Number of days after disc:	15 days

Example 4 - discount taken after discount date:

Step one - $1,000 * 8.125 = 81.25$
Step two - $81.25 / 360 = .23$
Step three - $.23 * 15 = 3.45$ (Interest Payable)

h. **Discontinuance of Accrual of Interest Penalties.** Interest penalties under prompt payment guidelines will not continue to accrue:

- ✓ after the date a claim has been filed for penalties under the Contract Disputes Act of 1978 or
- ✓ for more than one year

i. **Interest Penalties Not Due.** Interest penalties under the prompt payment guidelines will not be paid if:

- ✓ the interest penalty is less than one dollar;
- ✓ the payment is delayed because of a dispute about the payment amount or issues about contract terms;
- ✓ it is an advance payment; or
- ✓ the bank fails to credit a vendor's account by the due date.

j. **Additional Penalties for Late Payments.** FPI is required to pay an additional penalty if the original late payment penalty that is owed to a vendor has not been paid within 10 days after the principal.

However, the vendor must request the additional penalty in writing via mail, facsimile, or electronic mail. The Business Office must receive the request no more than 40 days after the payment date. In addition, the written request must include:

- ✓ request for payment of overdue late payment interest penalty and additional penalty;
- ✓ a copy of the invoice on which the late payment interest was due but not paid and a statement indicating the date the principal was received; and
- ✓ an invoice in the amount of the request (an invoice is required due to system configuration).

The additional penalty must equal one hundred percent of the original late payment interest penalty (i.e. if the late payment interest penalty was \$35, the additional penalty would be \$35). However, the amount of the additional penalty may never be less than \$25 nor more than \$5,000.

Upon receiving a request from a vendor for interest and additional penalties, the Business Manager or designee must prepare a voucher including a copy of:

- ✓ the original payment voucher,
- ✓ vendors request,
- ✓ invoice, and
- ✓ any pertinent back up documentation.

k. **Utility Payments.** Utility payments to include telephone services at all FPI locations are subject to the Prompt Payment Act's provisions. If a rate for late payment is established by local authorities (i.e. tariff), then this rate must be used. However, if a rate has not been established, this PS' provisions will apply. In addition, the Prompt Payment Act's provisions will be referenced throughout this PS as it pertains to the applicable subject matter.

8. **PROCESSING VOUCHERS.** All basic documentation required for paying invoices must be routed to the payment office for consolidation and assembly of the payment voucher. The centralized disbursement office is responsible for ensuring payments are made timely and accurately.

a. **Document Flow.** To ensure compliance with the CFR provisions relating to prompt payment, it is imperative that all documents pertaining to payments be received and accepted in a timely manner. Therefore, the normal sequential flow for receipt of the basic documentation follows:

(1) **Contract or Purchase Order.** The Contracting Official will forward a copy of the purchase order or contract generated in the Material Management session to the Business Manager or designee. However, in the Central Office, the purchase order or contract must be provided to the FMB Accounts Payable Supervisor or designee. A suspense file is to be created and maintained for these documents until the receiving report and invoice for payment are received.

(2) **Receiving Report.** In accordance with prompt payment guidelines, the goods and/or services must be accepted promptly, unless otherwise designated on the contract. At the institution level, if a receiving report is required, a warehouse staff member or designated DEO is to enter information creating a receiving report into the integrated system documenting receipt and acceptance immediately. However, at the Central Office level, the FPI Controller must designate an employee to perform the "receiving" function, since there is no warehouse capability.

A signed copy of the "screen print" receiving report is to be provided to the Business Manager or FMB Accounts Payable Supervisor or designee within 48 hours after acceptance.

The receiving report must be filed in the applicable contract or purchase order suspense file until receipt of the vendor's request for payment (invoice).

(3) **Receiving Report not Required.** If a receiving report is not required (i.e. services) the Business Manager or designee and FMB Accounts Payable Supervisor or designee must make the following certification on the invoice and obtain a signature of a staff member who has knowledge of receiving the goods and/or services.

"I certify that the goods or services indicated on this invoice were received or performed on Date and that this invoice is proper for payment."

Signature

(4) **Invoice.** The AW(I&E)/SOI and the FMB Financial Manager are responsible for ensuring that all incoming invoices received via mail are provided to the Business Manager and/or FMB Accounts Payable Supervisor, respectively. FPI locations may accept invoices via facsimile (fax) when necessary to facilitate payment processing. However, the invoice must be certified by a UNICOR staff member certifying the invoice is an original copy.

The Business Manager and the FMB Accounts Payable Supervisor or designee must date stamp invoices immediately upon receipt and review them within seven days to determine if they are proper. A proper invoice must include:

- ▶ vendor name, invoice number and date, account number;
- ▶ government contract or purchase order number;
- ▶ description, price and quantity of goods and services rendered;
- ▶ shipping and payment terms, if applicable; and
- ▶ contact name, title, and telephone number

In addition, the prompt payment guidelines also require the vendors Tax Identification Number (TIN) and banking information be provided on the invoice. In order to avoid the potentiality of compromising sensitive information, FPI has established alternate procedures for obtaining this information from the vendor. Each vendor conducting business with FPI is now required to submit banking information to the Contracting Officer on an Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment form during the procurement process.

However, the FMB, ACH Coordinator is responsible for updating and maintaining banking information for vendors rejected during the payment process, due to erroneous information in accordance with procedures established in this PS' section on "validation of vendor ABA numbers."

(5) **Improper Invoice.** Invoices must be reviewed promptly, but no later than seven days from receipt to determine if they are proper. If the invoice is determined to be improper it must be returned to the vendor by the seventh day. A written explanation detailing the reasons why the invoice is being returned and a request for a corrected invoice must also be included.

(6) **Lost or Destroyed Invoice.** If the original invoice is lost or destroyed, a "duplicate" invoice must be requested from the vendor. When the "duplicate" invoice is received, it must be

annotated with "certified original." In addition, the Business Manager must:

- ▶ provide a written explanation surrounding the circumstance of the lost or destroyed invoice and steps taken to avoid a duplicate payment;
- ▶ review the "Vendor Line Item Display" transaction for the applicable invoice number and/or dollar amount;
- ▶ review the suspense file to determine if the invoice had been previously received and mis-filed; and
- ▶ review the paid vendor file for the invoice.

These statements must be included as support documentation for the payment voucher.

(7) **Invoice not Required.** Vendors are not required to submit invoices for recurring payments, fixed amounts and/or payments for services such as rents, maintenance of equipment, pagers, cellular phones, etc. These payments are made at fixed periodic intervals (i.e. monthly, quarterly, etc.) and are referenced on the obligating document (i.e. purchase order, contract).

The Business Manager and FMB Accounts Payable Supervisor or designee must establish and maintain a log for each recurring payment in the vendor file.

(8) **Electronic Invoices.** Vendors may request authorization to transmit invoices electronically (i.e. via computer) instead of submitting a "written" or "original" paper document. The Business Manager must contact the FMB Controller or Deputy Controller to determine if adequate safeguards and controls exist before transmission can be authorized.

b. **Assembly and Review of Payment Vouchers.** The DEO is responsible for ensuring the compiled "payment voucher" includes all the basic documents (i.e. purchase order, receiving report, invoice) from the suspense file and any other documents relating to the payment (i.e. credit memos, etc). In addition, a Voucher Payment Cover form (Attachment A) must be completed and attached to the front of each voucher payment.

An approving official must pre-audit the payment voucher prior to entering it into the integrated payment system, via invoice verification.

The Accountant or Accounting Technician can be designated as an approving official for payment vouchers. The Approving Official must review all the documents included in the payment voucher in accordance with guidelines established in the section on "Pre-Audit of Disbursement Vouchers".

Upon completion of the pre-audit, the complete voucher is routed to the DEO for entry into the integrated payment system.

The Business Manager and/or Accounts Payable Manager is responsible for ensuring payment is made for goods and/or services received for his or her specific location. Therefore, each month the Business Manager must review the Goods Receipt/Invoice Receipt report and verify the validity of all open items exceeding 30 days. The report should be initialed and any vendor contacts must be maintained on a log.

9. INTEGRATED PAYMENT SYSTEM. The Material Management and/or Accounts Payable Module of the integrated payment system will be used to process vouchers for payment. This system warehouses procurement and receiving documents until invoices are received and entered into the integrated payment system. Once the documents are matched, the payment process can begin.

The system allows for partial and/or full payments of any items received and accepted into the system. The integrated payment system will house all payment data entered until Central Disbursement initiates a payment proposal and/or payment run. This procedure will process data for transmission to the Department of Treasury (Treasury) for payment.

a. Invoice Data Entry. The DEO (inmate or staff) must enter the data daily from each invoice within 48 hours of receiving all basic documents (i.e. receiving report) using the appropriate screens within the Material Management Invoice Verification/Accounts Payable and/or the Financial Accounting/Accounts Payable sessions.

If an inmate is the designated DEO, it is imperative that the inmate is only allowed to use the appropriate screens designated for inmate use.

In addition, any discounts referenced on the invoice must be entered in the applicable section. However, in order to avoid taking erroneous discounts, **discounts may not be entered** into the integrated payment system during critical cash management periods unless approved by FMB, Central Disbursement. The system will not disregard the discount, if paid after the discount period.

Therefore, when notified, Central Disbursement will ensure payment is made prior to the end of the discount period.

b. **Document Date.** The "Document Date" the designated DEO entered to calculate the due date is the latter of:

(1) the date the invoice was dated stamped received by the payment office or the date in which the vendor placed on the invoice (if the invoice was not date stamped) or

(2) the date goods and/or services were actually received.

The system will calculate the due date automatically. The parameters established for vendors will compare the document date and the terms of the purchase order or contract (i.e. discounts), and then compute the due date. However, to ensure payments are made by the due date the system will adjust the due date by three days to allow for Treasury's processing time.

c. **Document Date Adjustments.** There are several instances which preclude using the date stamp and/or vendor date to calculate the due dates. Under the following circumstances use the applicable document date:

- ▶ The document date for invoices entered "manually" or "invoices without purchase orders or receivers" (i.e. institution billings, staff travel and/or transportation vouchers) will be the day the invoice is entered into the system. These vouchers are due upon receipt and will be payable during the next payment run.
- ▶ The document date entered for an unauthorized procurement action is the date the Contracting Officer actually signs the ratification.
- ▶ If a vendor is not notified of an improper invoice within seven days after receipt, the number of days allowed for paying the corrected proper invoice must be reduced by the number of days between the seventh day and the day notification is transmitted to the vendor. Therefore, this adjusted date must be used as the document date. In addition, interest penalties, if applicable, will be based on this adjusted due date.

d. **Consignment Liability Settlement.** All consignment payables must be settled at least monthly, depending on the location and vendor. The voucher must contain the same basic documentation as described in subsection 7.a., except:

- ▶ **Receiving Report** - is the copy of the "Settle Consignment/Pipeline Liabilities" output screen.

e. **Credit Cards Payments.** All credit card purchases are subject to the prompt payment as detailed in subsection 7.e. The voucher must contain the same basic documentation as described in subsection 7.a., except:

- ▶ **Invoice** - is the original consolidated statement of account sent to the business office,
- ▶ **Receiving Report** - can be either an actual receiving report and/or the original signed copy of the card holder statement, indicating receipt of goods and/or services.

f. **Document Number.** All transactions generated in the integrated payment system will produce a document number. The DEO must annotate at a minimum the MM and FI document number on the Voucher Payment Cover form.

g. **Authorization of Payment Vouchers.** Generally, the Business Manager, Plant Controller, Assistant Business Manager, or designee are designated as the payment sub-certifier. The payment sub-certifier is responsible for ensuring vouchers approved for payment are entered into the integrated payment system accurately. In addition, the sub-certifier is responsible for changing, posting, or deleting transactions which have been entered into the integrated payment system incorrectly.

The payment sub-certifier performs the validation function within the Material Management and/or Accounts Payable Module ensuring all invoices blocked or parked are released, if applicable, for disbursement by the Central Office. The sub-certifier must sign the Voucher Payment Cover form indicating the voucher has been reviewed and is proper for payment. In addition, the sub-certifier must generate, post, and sign the following reports within 48 hours after the invoice verification process:

- ▶ Releasing Blocked Invoices Screen,
- ▶ Display Parked Documents Screen, and
- ▶ Invoice Overview Screen.

The certified copy of the printed screen must be maintained on file in chronological order.

The payment vouchers authorized for payment are housed within the integrated payment system for further processing by the Certifying Officer located in the Central Office. All vouchers authorized for payment must be maintained and mutilated in accordance with subsection 6.f. above.

10. **CENTRALIZED PAYMENTS.** All payments for FPI obligations will be disbursed centrally. A designated certifying officer will process all payment runs daily or weekly, depending on the criteria established by FMB management.

Disbursements can be made for the payment to vendors, staff (i.e. travel), institution billings, transportation, etc. There are several payment methods associated with each payment run, depending on the type of payment:

- A - Treasury Check
- T - EFT/ACH
- G - GOALS (i.e. payments to other government agencies)
- N - No check (i.e. institution bills, inmate payroll, civilian payroll)

The Disbursing and Budget Officer must ensure a payment run(s) is initiated after the spending limit has been authorized. The system is not limited to processing one payment run, but may generate several depending on the number of proposals created.

Each payment run can be for a specific account group and/or payment method.

Payment run(s) will be transmitted automatically to Treasury daily. Therefore, to ensure payments are not rejected due to blocked invoices, the vendor database must be updated constantly.

a. **Validation of Vendor ABA Numbers.** During the payment run process, the Treasury ACH file will be matched to the existing Vendor Master in the integrated system. If the files do not match, the system will "drop" the vendor and block the payment. The ACH Coordinator must be notified promptly of any changes required to the vendor data base regarding erroneous banking information.

The applicable location must contact the vendor within 24 hours of the payment run to obtain an updated ACH Vendor/Miscellaneous Payment Enrollment Form or correct banking information. Upon receiving the correct banking information, the field location must submit this information promptly to the ACH Coordinator. The ACH Coordinator must enter the data into the Vendor Master

immediately and remove the block for payment processing, placing the voucher back in the payment Queue, to be included in a future proposal and/or payment run.

b. **Pre-Payment Error Reports.** Prior to a payment run each field location must execute a "Pre-Payment Error Report" identifying payments which would not be included on a payment proposal due to errors. All locations must generate, review, and correct any errors existing on this report weekly.

c. **Interest Run.** Prior to executing the proposal and/or payment run, the certifying officer must generate an interest payment run or "calculate vendor interest on arrears." This transaction will calculate interest on over due line items and will produce an interest arrears letter for each vendor. There are two range types associated with running interest for vendors:

- ✓ Z1 - interest (non-government)
- ✓ Z2 - no interest (government)

The Z1 range will be used to calculate interest. In addition, the calculation period should be through the ending date for all vouchers that will be considered.

Due to the centralized disbursement, the system consolidates all payments including interest for each vendor. Therefore, the vendor will receive only one lump sum payment via the payment method indicated for the payment run.

However, the system will generate a detailed interest arrears letter for each vendor with accrued interest. Therefore, it is imperative that the Disbursing and Budget Officer or designee ensure the "Interest Arrears Letter" generated during the interest run segment, stating the amount of the interest penalty, invoice number, number of days late, and the rate used to calculate the interest is sent promptly to the applicable vendor.

In addition, the system generates a report list detailing the dollar amount for each vendor. This report must be signed by the certifying officer and maintained with a copy of the interest letter in a chronological file for audit purposes.

d. **Payment Proposals.** The certifying officer is to generate via the Accounts Payable Module, a Payment Proposal List for the specific time period (i.e. entire week or day) for those vouchers to be included in the payment run. The certifying officer must sign the Payment Proposal List and provide it to the FPI Controller and/or Deputy Controller to use for establishing the authorized spending limit.

- ▶ **Weekly Projections.** Weekly, the certifying officer will generate a payment proposal for the designated time frame. To include all vouchers due and waiting to be paid, enter the run date which is equivalent to the current date and the next projected payment run's date. This will capture all invoices due within this time frame and all past due invoices.
- ▶ **Daily Projections.** Using the same procedures as stated above for weekly projections, the certifying officer will generate a payment proposal daily.

The payment proposal generated must be printed and submitted for the FPI Controller and/or Deputy Controller to review and approve the spending limit. If the authorized spending limit is less than the proposal (weekly or daily), the Certifying Officer must review and determine which payment(s) will not be included in the payment run.

The Certifying Officer must block those voucher(s) identified for exclusion with an "L" for limited spending, until the authorized spending limit has been met. If a payment proposal contains an error (i.e. used wrong dates), the proposal can be reset and regenerated with the correct information.

However, during critical cash flow deficits, FMB will notify staff of procedures to be followed for submitting and paying critical vendors.

e. **Schedule Number (Identification Number).** The schedule or identification number is a five digit field the certifying officer creates. However, this number must contain the fiscal year in the first field and the other four must be in numerical sequence (i.e. 00005, 00006, 00007). There are two exceptions:

- ▶ the schedule numbers for no check payment runs will begin with "N" and
- ▶ civilian payroll will begin with "CP," followed by the sequential numbering scheme.

To avoid duplicate schedule numbers or identification numbers, a log book must be maintained to record schedule numbers or identification numbers. The log must contain:

- ▶ the schedule number,
- ▶ date of the payment run,
- ▶ dollar amount by payment method identifier (i.e. A, G, T, or N),

- ▶ date file was created,
- ▶ the date the Electronic Certification was verified, and
- ▶ staff initials.

f. **Account Groups.** There are six vendor account groups designated for use in the integrated system. These account groups are used to identify which group of vendors will be included on a payment run (i.e. transportation). These account groups also segment the different vendor types on the payment run for internal and external reporting.

At Central Disbursement's discretion, vendors can be added to isolate a group of vendors. The following are valid account groups used in the integrated payment system:

- ▶ 0001 - regular vendors
- ▶ 0002 - remittance address vendor
- ▶ 0008 - transportation
- ▶ 0009 - staff
- ▶ 0010 - institution
- ▶ 0011 - goals billing

g. **Payment Runs.** The certifying officer must execute the payment run and generate a "Payment Proposal List and Exception List." The Exception List details items identified on the payment run, but which failed for various reasons. If the payments listed on the exception list are to be included in the payment run, the applicable location (i.e. field or Central Office) must make a correction.

Multiple payment run(s) can be executed for the different type of account groups depending on the authorized spending limit. However, because GSA still requires submitting a schedule identifying paid transportation vouchers, this account group must be executed independently of all others. In addition, a payment run must be executed daily for the payment of drafts.

After completing the payment run, data files are created for the different payment types (i.e. check, ACH) for transfer to Treasury. MISB transmits these data files daily to Treasury. If an error is detected after the payment run data files have been created, Central Disbursement must reverse and reset those errors.

It is MISB's responsibility to notify Central Disbursement of any errors contained in the data file. If the data file is deleted it must be resubmitted within 24 hours. In addition, MISB must notify Central Disbursement of the new file schedule number.

After the payment run has been completed, the system will generate the "Diskette Accompanying Sheet" automatically. The Certifying Officer responsible for transmitting the payment file must sign and maintain this report in chronological order.

Upon transmission to Treasury, the Disbursing and Budget Officer must receive a printout of a pre-edit file forwarded from the MISD. The pre-edit report and Payment Settlement List is used for electronic verification purposes.

h. **Electronic Certification System.** After transmission of a payment run, the certifying officer must compare the dollar amounts from the "Payment Settlement List" generated during the payment run process to the Pre-edit report.

The data from the pre-edit report is used to verify information received by Treasury. The Department of Treasury's Electronic Certification System (ECS) is used to verify this information. A DEO or designee must enter the following applicable information from the pre-edit report into ECS:

- ▶ Control Number
- ▶ Number of Payments
- ▶ Dollar Amount, and
- ▶ Schedule Number

i. **Payment Run File Folders.** The Disbursing and Budget Officer must maintain a file for all payments runs Central Disbursement generates. Each folder must contain the following information:

- ✓ Proposal Exceptions List
- ✓ Proposal Log
- ✓ Payment Settlement List
- ✓ Payment Summary List
- ✓ Diskette Accompanying Sheet
- ✓ Pre-Edit Report
- ✓ CCD Error List (MISB)
- ✓ Screen Prints of the Reset/Reversed Items from the "Item" button option
- ✓ ECS Certification Report
- ✓ Treasury Confirmation Report

15. **ACCOUNT RECONCILIATION.** The following accounts will be posted automatically when payment transactions are generated:

- ✓ General Ledger Account 232100, Goods Receipts,
- ✓ General Ledger Account 211000, Accounts Payable Open Invoice Receipt, and
- ✓ General Ledger Account 112099, Clearing Account for Outgoing (TRES1).

16. **TREASURY CONFIRMATION/BANK RECONCILIATION.** The Disbursing and Budget Officer or designee is responsible for downloading the Treasury Confirmation Report from the Government On-Line Accounting Link (GOALS) and uploading it into the integrated payment system weekly. This process matches document numbers within the system and posts the payment information. The Treasury Confirmation Reports must be maintained chronologically.

17. **STATEMENT OF DIFFERENCE (SF-224).** Due to the centralized disbursement process, the Central Office is responsible for reporting disbursements processed by Treasury on the monthly SF-224. However, institutions must continue to transmit a local SF-224, for any disbursing or collection activity (i.e. OPACs) on their Agency Location Code (ALC).

In addition, an SF-224 must be completed, even if there is no activity on the ALC, until notified by the FMB Controller this requirement is no longer necessary.

18. **QUALITY CONTROL REVIEWS.** Regulations require the FPI Controller to monitor:

- ✓ the causes of late payments,
- ✓ interest penalties incurred, and
- ✓ actions taken to correct these deficiencies.

Therefore, to satisfy this requirement while reducing man hours and increasing efficiency, FPI will use information stored in the integrated payment system.

a. **Field Locations.** The local Business Manager is responsible for processing payments in accord with the Prompt Payment Act's provisions and any PS issued regarding the payment of vouchers. The Business Manager is responsible for ensuring the accuracy of data entered into the integrated payment system and responding promptly to requests for justification/reasons from FMB regarding late payments.

Each location must generate and review its respective locations Prompt Payment Report in the integrated payment system.

b. **Central Office.** In addition to ensuring payments are processed in accord with the Prompt Payment Act's provisions, the Financial Manager is responsible for designating a reviewer in charge of preparing the Annual Prompt Payment Quality Control Report to submit to the Controller.

The reviewer-in-charge must generate a consolidated prompt payment report for the Corporation. The report must be analyzed to determine the actual number of late payments and interest penalties paid by the corporation.

If the number of late payments exceed five percent of the total number of payments made, justification for the late payments is required. Each location identified within the spectrum of the "late payment" category must be contacted via e-mail to determine the cause of the late payments and any corrective actions taken.

A narrative must be prepared detailing FPI's compliance with the Prompt Payment Act. The system generated Prompt Payment Report must be used as backup documentation for this narrative and submitted to the FPI Controller. In addition, this narrative must be supported by any responses received regarding justification/reasons and corrective actions for late payment(s).

19. **FILE MAINTENANCE AND RECORDS RETENTION.** Accountable officers records relating to the accountability, availability, and status of funds must be retained for audit purposes. Therefore, the retention of these records is governed by the National Archives and Records Administration, General Records Schedule.

The document retention schedule for payment documents is referenced in the Document Retention Schedule (Attachment B).

/s/

Kathleen Hawk Sawyer
Director

**FEDERAL PRISON INDUSTRIES
INTEGRATED PAYMENT SYSTEM
VOUCHER PAYMENT COVER FORM**

Current Date: _____

Vendor Name: _____

Invoice Amount: _____

Payment Type: Partial _____ Full _____

Administrative Deduction: Yes _____ No _____

Amount (if applicable): _____

Explanation (if applicable):

Total Payment: _____

Pre-audited by: _____

Data entry information:

Date entered: _____
MM Document Number: _____
FI Document Number: _____

Entered by: _____

Sub-certifying Officer signature: _____

Document Retention Schedule

DESCRIPTION OF RECORDS	AUTHORIZED DISPOSITION
Accounting Administrative Files: Correspondence, reports and data relating to voucher preparation, administrative audit and other accounting and disbursing operations. a. File used for workload and personnel management purposes b. All other files	Destroy when 2 years old Destroy when 3 years old
Accountable Officer Files: The original or copy of accountable officers records must be maintained for audit purposes. Such documents as statements of transactions and accountability, collection schedules and vouchers, disbursement schedules and vouchers and any others, except for commercial passenger, freight records and payroll. The following documents or their equivalent must be maintained. SF 215 - Deposit Ticket SF 224 - Statement of Transactions SF1012 - Travel Voucher SF1034 - Public Voucher for Purchase and Services Other than Personal SF1038 - Advance of Funds Application and Account SF1047 - Public Voucher for Refunds SF1080 - Voucher for Transfer between Appropriations and/or funds SF1081 - Voucher and Schedule of Withdrawals and Credits SF1098 - Schedule of Canceled Checks SF1113 - Public Voucher for Transportation Charges SF1129 - Reimbursement Voucher SF1145 - Voucher for Payment Under Federal Tort Claims Act SF1164 - Claim for Reimbursement for Expenditures on Official Business SF1185 - Schedule of Undeliverable Checks for Credit to Government Agencies SF1219 - Statement of Accountability	Destroy 6 years and 3 months after period covered by account.