



U.S. Department of Justice
Federal Bureau of Prisons

PROGRAM STATEMENT

OPI: FPI/FMB
NUMBER: 8540.03
DATE: March 18, 2015

FPI Monthly Financial Reconciliation and Closeout Procedures

/s/

Approved: Charles E. Samuels, Jr.
Director, Federal Bureau of Prisons

1. PURPOSE AND SCOPE

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

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

a. **Program Objectives.** Expected results of this program are:

- Consistency in day-to-day operations and the monthly closeout process, including maintenance of backup documentation.
- Accuracy of financial information to ensure the integrity of internal and external reporting requirements.
- Routine reconciliation of general ledger accounts.

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

2. RESPONSIBILITY

The Associate Warden/Superintendent of Industries (AW/SOI) at each field location and the Controller, Central Office, ensure procedures in this Program Statement are performed promptly and efficiently.

3. INVENTORY

Remote and Prime Business Offices ensure that the administration, review, and validation of inventory-related activity are performed throughout the month. Locations ensure that the data is accurate at month's end.

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

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

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

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

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

- **List of Stock Values.** Balances Report. Reviewed for irregularities in quantities or values associated with raw materials, class 3000; finished goods, class 7920 and 3100; and sub-

assemblies, class 7900. Irregularities are investigated for corrective action, if required. If the discrepancy is associated with the “standard” cost, the product costing individuals are notified immediately. Discrepancies associated with the “prime plants” standard are documented in the job file.

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

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

The remote accountant, prime business manager, and factory manager should contact the individuals assigned costing responsibility to ensure corrective action is taken for errors identified in the cost analysis process. In addition, the FFA is notified.

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

4. SALES

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

5. COST OF SALES

Remote and Prime Business Offices ensure that the administration, review, and validation of cost of sales activity is performed throughout the month. Locations ensure that the data is accurate and that the following cost of sales accounts are reviewed throughout the month and analyzed at month's end:

- G/L Account 653200, Inventory Overages/Shortages. Review the impact of cycle counts, shop stock inventories, etc.
- G/L Account 653221, Inventory Valuation Adjustment for Finished Goods. Records changes to standard costs for items in inventory at the time of the change. These result from a released material cost estimate by the industrial specialist or when price changes are made. This account is monitored to ensure that prices are not arbitrarily changed.
- G/L Account 653222, Finished Goods Cost in Excess of 95% of Selling Price.
- G/L Account 653228, Inventory at Customer – Excess 95% of Selling Price.
- G/L Account 653282, Inventory Valuation Adjustment for Sub-Assemblies. These result from a released material cost estimate by the industrial specialist or when price changes are made. This account is monitored to ensure that prices are not arbitrarily changed.
- G/L Account 653283, Sub-Assembly Cost – Excess of 95% Adjustment.
- G/L Account 653288, Work in Process Cost – Excess of 95% Adjustment.
- G/L Account 653300, Planned Cost Variation. Accumulates variances associated with the difference between finished goods and subassemblies, carried at standard cost, and the actual cost of production. This cost is posted at the completion of the production order.

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

6. MANUAL JOURNAL ENTRIES

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

- Journal Entry – Manually entered, non-system-generated, financial information system entry.
- Journal Voucher – The hard copy synopsis of the proposed financial information system entry.
 - a. **Preparation.** Financial management staff prepare the appropriate non-system-generated journal voucher or the General Ledger Spreadsheet Up-Loader (GLSU) format provided by the Financial Management Branch (FMB) as required by their Business Group FFA.

The journal voucher includes only the minimum subsidiary information required to assist in the approval process. When applicable, the preparer notes that an entry is to be reversed on the

voucher, along with the date the entry is to be reversed. The preparer indicates the use of the financial information system auto reversal transaction for civilian (overtime only), utility, fuel, vehicle accruals, and inventory allowances (Lower of Cost or Market and Slow Moving). The preparer signs and dates the entry upon completion. The financial information system entry is NOT posted at this point.

b. **Approval.** The preparer of the entry obtains the approval signature of a financial manager before posting in the financial information system. If a financial manager is not on site, the preparer emails or faxes the journal voucher to the next appropriate available manager for approval. The following is the likely chain of approval within a business group:

- The Assistant Business Manager (if applicable).
- The Prime Business Manager.
- The Field Financial Administrator.
- The Deputy Controller(s).

The approving official verifies the accuracy of the proposed entry and approves by signing and dating the journal voucher. The approved voucher is returned to the preparer via email or fax.

The preparer posts the journal entry(s) in the financial information system and maintains the approved journal voucher in the monthly close-out folder.

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

7. ACCOUNT MAINTENANCE

The remote accountant and prime business manager monitor G/L expense accounts and supporting cost centers within the Controlling Module to ensure accuracy. Additionally, expenditures are reviewed to ensure a true representation of costs incurred during the month. Corrections are made in a timely manner. The following are examples of the type of accounts that must be monitored:

- **Freight Liabilities.** Freight liabilities are entered by the field location into the financial information system. Field locations continue to document the Transportation Expense Payable account (217000) in the financial information system using the field and text data as required. Centralized Accounts Payable (CAP) applies the payment of freight invoices against the location's 217000 account. CAP processes all freight invoices, during the voucher phase, by debiting exclusively to account 217000. The remote accountant or prime

business manager ensures that the 217000 account is properly reconciled at month's-end. This includes the accrual for all freight expenses as well as the reconciliation of paid freight invoices by CAP.

- **Transportation.** To ensure transportation billings are not significantly over- or understated, a system-generated **General Ledger Account Line Items Display Report** for G/L Account 635500, Shipping Cost Billed to Customer, using the dynamic selection “**Profit Center,**” is reviewed and corrected, if required.
- **Other.** To ensure there is no value associated with Government Furnished Materials (GFM/500 series) the **General Ledger Account Line Items Display Report** for G/L Account 618200, Other Expenses, is reviewed for entries made via material movements. Any values associated with GFM are corrected; if not, inventory will be overstated since GFM is carried at no cost.

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

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

The AW/SOI ensures that the signed purchase card statement and reconciliation is submitted to CAP, so that the following G/L accounts can be properly reconciled on a monthly basis and before year-end closeout.

- G/L Account, 611555, Bank One Clearing Acct – Field.

- G/L Account, 621555, Bank One Clearing Acct – Gen. and Admin.
- **Civilian Payroll Accrual.** The Central Disbursements section records the month end Civilian Payroll accrual for the entire corporation as a single line item credit to the general ledger account 222020 Accrual - Civilian Pay Central Office, offset by the appropriate expenses at the cost center level. The basis of the entry is the last previously disbursed payroll factored for the remaining work days which have yet to be disbursed. Overtime and awards are removed from the basis and the clearing accounts are not posted. The Civilian Pay accrual is not entered using the auto reverse option, but is manually reversed at the time the next month's accrual is posted. The remote accountant or prime business manager is responsible for ensuring that overtime is accrued as appropriate and will be responsible for monitoring the 222020 account for their respective plants. Overtime is the only appropriate field use for Account 222020. This account must not be used to transfer balances between plants.

8. VALIDATION AND MAINTENANCE OF OPEN ITEM ACCOUNTS

General Ledger accounts within the integrated information system that are not supported by an automated subsidiary are known as **Open Item Managed (OIM)** accounts. These are miscellaneous asset and liability accounts that require a “**Plant**” to be entered for each line item. Financial management staff ensures that OIM accounts are monitored monthly and validated for their location(s) – this includes all accounts, whether associated with the field or the Central Office.

To properly validate OIM accounts a **General Ledger Account Line Items Display Report**, using the dynamic selection “**Plant**,” is generated and reviewed for accuracy.

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

9. ACCOUNTS PAYABLE

Although the accounts payable function is centralized, remote and prime business offices continue to review the following accounts payable reports to ensure accuracy and timeliness of the payable process.

- a. **Accounts Payable.** The remote accountant or prime business manager generates the **Accounts Payable Aging** report for their plants. This report is reviewed for open invoices 30 days past due. Open items are reported to Central Accounts Payable (CAP) to determine the validity of each invoice and resolution of issues for payment, if applicable.
- b. **Review of Open Goods Receipt Invoice Receipt (GRIR).** Each month, the Central Disbursements section will send a spreadsheet listing of all GRIR items over 45 days old as of month-end to the Prime Business Manager(s) and all Contracting Officer(s) by the second work day of the following month.

The Prime Business Manager will provide a status of all GRIR line items on the spreadsheet to CAP no later than the 10th calendar day of the current month. This function may be delegated, but the response must come from the Prime Business Manager. A status code and a brief explanation for the response will be provided for each line item. The applicable code and the corresponding text must be included on the spreadsheet. The status will be detailed as one of the following:

 - Code 1 – Request line item remain open (state reason)
 - Code 2 – Field request invoice from vendor
 - Code 3 – Write-off line item (state reason)
 - Code 4 – Process credit invoice against outstanding payable
 - Code 5 – Write-Off pending Deputy Controller approval.
- c. **Field Request for Vendor Invoice.** When the field is required to request an invoice from a vendor, the Prime Business Manager coordinates with the Contracting Officer to ensure that proper notification and resolution occur with the vendor.
- d. **CAP Follow-up.** By the end of each month, CAP provides the Internal Auditor with a list of the Prime Business Manager(s) that have not responded to the 45 Day GRIR listing.
- e. **GRIR Write-Offs.** CAP performs the GRIR write-offs each month based on the authorization provided by the Prime Business Manager(s) on the 45 day old list. The Prime Business Manager provides this authorization either by emailing the spreadsheet or by a signed fax. All write-offs with a \$3,000 or higher net impact per line item must be approved by a Deputy Controller (i.e., an offsetting credit and debit on the same purchase order and line item

does not require Deputy Controller approval if the net is less than \$3,000). Prime Business Manager(s) send requests for write-offs over \$3,000 directly to the Deputy Controller, Field Operations, for approval. These requests contain all supporting information needed to justify the write-off decision. Prime Business Manager(s) retain supporting documentation for all write-off requests. CAP maintains all requests for write-off, including the email request or signed spreadsheet, for three years.

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

No GRIR line items may remain open past 180 days. Each month, CAP provides the Controller's Office with a list of items remaining over 180 days old. This includes the status codes and explanations as provided by the Prime Business Manager(s). The Controller's Office, with assistance from the Chief of Disbursements, resolves these.

10. ACCOUNTS RECEIVABLE

The remote accountant or prime business manager ensures that G/L Account 231010, Progress Payable, is reconciled and the reconciliation is sent to CAR.

11. PERIOD-END REQUIREMENTS

To ensure the financial records accurately reflect FPI's financial position, the following procedures are done before or immediately following the monthly closeout. The Deputy Controller, Financial Accounting and Budgeting, closes the financial records for the corporation. Field and Remote Locations have until the 2nd workday of each month to complete the "closeout" or enter data for their locations. The Corporate Reporting section has discretion to open and close accounting periods after the second work day to perform routine monthly corporate-level adjusting entries (e.g., Warranty Accrual, Capitalization of Overhead, and governmental conversions). Once the Controller's office has been notified that the books are closed at the corporate level, authorization from the Controller's office is required before opening the accounting period.

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

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

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

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

■ **Inventory.** Generate the general ledger Account Balances Report for:

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

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

- **Consignment Payable.** Generate the Consignment Payable Liability Display Report for G/L Account 211100, Consignment Payable Open Item Management, and compare to the Settle Consignment/Pipeline Liabilities.
- **Work in Process.** Generate the Account Balances Report for G/L Account 158100, Work in Process, and compare to the WIP Calculation report for the previous period.

- **Building and Improvements/Accumulated Depreciation.** Generate the general ledger Account Balances Report for:
 - G/L Account 173000, Building and Improvement (B&I).
 - G/L Account 173900, Accumulated Depreciation (M&E).

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

- **Machinery and Equipment/Accumulated Depreciation.** Generate the general ledger Account Balances Report for:
 - G/L Account 175100, Machinery & Equipment - Operational
 - G/L Account 175900, Accumulated Depreciation - M&E

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

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

- **Construction.** Generate the general ledger Account Balances Report for G/L Account 172000, Capitalization of Settled Internal Orders, and compare with the **Asset Balance Report** for class code 4000 and the **Internal Orders Report**, for Order Type 0600.
- **Capital lease Assets.** Generate the general ledger Account Balances Report for:
 - G/L Account 181000, Fixed Assets – Capital Leases.
 - G/L Account 181900, Accumulated Depreciation – Capital Leases.

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

- **Internal Use Software.** Generate the general ledger Account Balances Report for:
 - G/L Account 183000, Fixed Assets – Internal Use Software.
 - G/L Account 183200, Internal Use Software in Development.
 - G/L Account 183900, Accumulated Depreciation – Internal Use Software.

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

- **GRIR.** The Deputy Controller, Financial Accounting and Budgeting, generates the general ledger Account Balances Report for G/L Account 232100, Goods Receipt/Invoice Receipt, and compares to the General Ledger Line Open Item Report for G/L Account 232100, Goods Receipt/Invoice Receipt.
- **Accounts Payable.** The Deputy Controller, Financial Accounting and Budgeting, generates the general ledger Account Balances Report for G/L Account 211000, Accounts Payable Open Item Management, and compares to the **Vendor Line Item Display Report**.

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

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

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

- **Accounts Receivable.** Generate the general ledger **Account Balances Report** for:
 - G/L Account 131000, Accounts Receivable; Govt. Billings
 - G/L Account 131500, Public Billings.

These are compared to the **Customer Line Items Report**.

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

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

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

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

f. **Field Location Tasks.** The remote accountant and prime business manager ensure completion of the following tasks (some tasks are performed before certain transactions generated by the Corporate Reporting Section for monthly closeout):

- That manual journal entries for miscellaneous asset and liability accounts, including allowances, are completed and approved.
- That all required accruals are completed. In addition, an estimate for inmate payroll is entered if payroll has not been calculated by the closeout date.
- That G/L account 222000, Accrued Expenses, includes an accrual for utilities.
- The reversal of all accrual documents generated by their location(s) using the current month's date.
- That the system-generated accrual document list is reviewed to ensure reversal dates are reasonable and errors have not occurred.
- That all approved transfer of expenses to Central Office is charged to the appropriate G/L Administrative and Expense Accounts (i.e., 620000 series) and their cost centers. These expenses are transferred to Central Office via the financial information system re-posting function. The text field contains the reason for the transfer (i.e., John Smith – Remote Accountants Training). Any amount remaining in the 620000 G/L Accounts is reclassified by the Corporate Reporting Section.

- That all shipments and other material transactions for the month are keyed into the financial information system by the last calendar day of the month.
- That all asset transactions, including transfers and construction projects, 100% completed during the month are settled and transferred to an active asset. While Corporate Reporting settles construction projects at month end, the field notifies Corporate Reporting upon completion of projects to ensure that appropriate costs are allocated.
- That WIP value agrees with the G/L Account 158100, Work in Process. The results must be analyzed and errors corrected or the FFA notified.
- That the respective Cost Center Expense Report(s) and Profit Center Income Statement(s) are analyzed for accuracy, validity, and reasonableness, making necessary adjustments. Significant irregularities are reported to the FFA.
- That the data in the 95% WIP calculation spreadsheet distributed by Corporate Reporting is validated and corrected, if necessary. In addition, calculations are performed and a journal entry posted for the 95% WIP adjustment for the period.
- That the 95% Finished Goods and Sub-Assemblies Report is run. Calculations are performed and a journal entry posted for the 95% Finished Goods and Sub-Assembly adjustment for the period.
- That all OIM accounts are monitored for accuracy.
- That all production orders are settled and resolution of settlement errors occurs by the last calendar day of the month.
- That all goods received have been posted by the last workday of the closeout period.
- That the List of Stock Values: Balance Report is validated for accuracy and any irregularities reported to the FFA.
- That the Material in Transit Report is reviewed to ensure all items are physically in transit and appropriate actions taken, if required. Any inventory items purchased on a Stock Transfer Order (STO) for use other than in production or sale are removed and charged to the appropriate expense account and cost center.
- That the material list is reviewed for price discrepancies.

g. **Field Location Reconciliations.** The remote accountant or prime business manager ensures that the following reconciliations are completed as part of the period closeout:

- **Cost Center/Profit Center.** The remote accountant or prime business manager generates a **Cost Center Report** (Controlling) that displays any re-postings from one cost center to another and the **Profit Center Report**. These reports are compared to ensure agreement at period close.
- If a G/L account appears on the **Cost Center Report** under the heading “Statistical Postings,” an error has occurred, probably from incorrect data entry during the original

transaction (i.e., posting without a cost center or posting with a cost center and production order). The transaction is reversed using the **Cancel Material Document: Initial Screen** and re-entered correctly. If the error cannot be corrected, documentation is submitted to the FFA for assistance.

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

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

- **General Ledger Applied Overhead Accounts - Financial Module:**

- G/L Account 653400, Raw Materials Consumed.
- G/L Account 653450, Factory Output Raw Materials.
- G/L Account 653500, Sub-Assembly Consumed.
- G/L Account 653550, Factory Output Sub-Assembly.
- G/L Account 653600, Finished Goods Consumed.
- G/L Account 653650, Factory Output Finished Goods.
- G/L Account 653700, WIP calculation Contra Account.

h. **Field Office Report Submission.** The remote accountant or prime business manager prepares and submits the following spreadsheets and forms to the FFA upon completion, but not later than the third workday of the month:

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

Note: The data for the 95% adjustment(s) are downloaded to an EXCEL spreadsheet distributed by FMB. The spreadsheet(s) are designed to facilitate electronic consolidation and cannot be modified.

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

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

j. **Field Submissions to Centralized Accounts Receivable (CAR).** By the third work day of each month, field locations having progress payments submit a reconciliation of customer balances to the CAR Accountant.

By the third Wednesday of the month, the following reports/spreadsheets are submitted via e-mail to the GroupWise address CS_AR:

- FOB Destination in Transit summary spreadsheet.
- U.S. Mail spreadsheet
- Sales Order Validation spreadsheet.

12. PERIOD CLOSEOUT FOLDER

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

- Ending Inventory Report.
- Month End Work in Process (WIP) Report and evidence of the report balancing to G/L account 158100, Work in Process.
- General Ledger Open Items for G/L Account 232100, Goods Received/Invoice Received
- Accounts Payable Aging.

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

13. QUARTERLY/YEAR-END CLOSEOUT

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

REFERENCES

ACA Standards

None.

Records Retention Requirements

Requirements and retention guidance for records and information that apply to this program are available in the Records and Information Disposition Schedule (RIDS) on Sallyport.

Attachment A. OPEN ITEM MANAGED ACCOUNTS

Note: All text will be written using CAPITAL letters.

OPEN ITEM MANAGED ACCOUNT REQUIRED ASSIGNMENT AND TEXT FIELD DATA - FIELD/CENTRAL OFFICE LOCATIONS			
G/L Acct	Account Name	Assignment Field	Text Field
114010	Progress Payment	Contract Number	Customer Number and Purchase Order Number
141000	Travel Advances	Travel Authorization Number	EMPLOYEE NAME
144000	Advance to Vendor	Contract Number and Purchase Order Number	VENDOR NAME and Vendor Number
145000	Prepayments (*see note)	Local Discretion	Corporate Reporting Discretion
145500	Other Deferred and Prepaid Expenses	Fiscal Year and type of distribution (e.g., FTS)	Fiscal Year and type of distribution (e.g., FTS)
151400	Defective Materials	Document Number	Month and Year (e.g., JANUARY 2006)
151500	Scrap at net Realizable Value	Document Number	Month and Year (e.g., JANUARY 2006)
151800	RM Inventory in Transit	Purchase Order Number	Month, Year (e.g., JANUARY 2006)
151900	Allowance for Obsolete RM&S	An identifiable reference number (e.g., document number)	** RM SLOW MOVING ** PHYSICAL INV ADJUST ** RM EXOB ** OTHER

OPEN ITEM MANAGED ACCOUNT REQUIRED ASSIGNMENT AND TEXT FIELD DATA - FIELD/CENTRAL OFFICE LOCATIONS			
G/L Acct	Account Name	Assignment Field	Text Field
152800	Inventory at Customer	Sales Order Number and Line Item Number (i.e., 0010091487000048)	Full explanation of items over 90 days
153000	Allowance for Obsolete Finished Goods	An identifiable reference number (e.g., document number)	** 152800 95% ALLOWANCE ** FG 95% ALLOWANCE ** FG SLOW MOVING ** PHYSICAL INV ADJUST ** FG EXOB ** OTHER
158700	Allowance for Obsolete Subassemblies	An identifiable reference number (e.g., document number)	** SA SLOW MOVING ** SA 95% ALLOWANCE ** PHYSICAL INV ADJUSTMENT ** SA EXOB ** OTHER
158800	Inventory Adjustment – Work In Process	An identifiable reference number (e.g., document number)	** WIP 95% ALLOWANCE ** WIP INVENTORY ADJUSTMENT ** OTHER
173800	B& I Writedown	This account goes in Central Office Asset Number	Asset Number
175800	Allowance for Obsolete M&E	This account goes in Central Office Asset Number	Asset Number

OPEN ITEM MANAGED ACCOUNT REQUIRED ASSIGNMENT AND TEXT FIELD DATA - FIELD/CENTRAL OFFICE LOCATIONS			
G/L Acct	Account Name	Assignment Field	Text Field
191000	Bailment Property	Production Number	Customer and Sale Order Number
199000	Other Assets	Plant and Document or IPAC Number	Month and Year
211600	Drafts Payable (COBO only)	Draft Payable	Not Applicable
212000	Vouchers in Transit	Local Discretion	Local Discretion
217000	Transportation Expense Payable	FPI Reference Number with plant tracking number, etc. EX: FPI08001039XXXX	XXXX TRR Accrual MM/YY
222000	Accrued Expense	Local Discretion	** Institution Billing Number MM/YY ** Other – full description
222010	Accrued Inmate Pay	Local Discretion	Inmate-Pay Accrual MM/YY
222020	Accrual - Civilian Pay	Local Discretion	Civ-Pay Accrual MM/DD/YY
222100	Liability for Customer Incentives	Credit Voucher Number	Credit Voucher Number
231010	Progress Payable	Contract Number	Customer Number and Purchase Order Number
232000	Accounts Payable Deferred	Local Discretion	Local Discretion
259000	Special Deposits Payable	Pay Period/YY and Staff Name	Staff Housing

OPEN ITEM MANAGED ACCOUNT REQUIRED ASSIGNMENT AND TEXT FIELD DATA - FIELD/CENTRAL OFFICE LOCATIONS			
G/L Acct	Account Name	Assignment Field	Text Field
261000	Contingent Annual Leave (*see note)	Not Applicable	Not Applicable
280000	Bailment Liability	Production Number	Customer Number and Sales Order Number
294000	Capital Lease Liability	Asset Number	Vendor Number and Purchase Order Number
299000	Other Liabilities	Local Discretion	* VENDOR NAME and Vendor Number * Full Description for other than cancelled checks

*Note: Locations may request to use this account, but the request must be in writing and approved by the Deputy Controller, Financial Accounting and Budgeting. If approved, the location is responsible for monitoring this account.

** Note: must be reconciled at year end, or any time balance changes, and cleared once annually.

OPEN ITEM MANAGED ACCOUNT REQUIRED ASSIGNMENT AND TEXT FIELD DATA – CAR			
G/L Acct	Account Name	Assignment Field	Text Field
132100	AR-Credit Card Clearing – VISA	System Generated Tracking Number	Chief, CAR Discretion
132200	AR-Credit Card Clearing – Discover	System Generated Tracking Number	Chief, CAR Discretion
132300	AR-Credit Card Clearing – MasterCard	System Generated Tracking Number	Chief, CAR Discretion
132400	AR-Credit Card Clearing – American Express	System Generated Tracking Number	Chief, CAR Discretion
136100	Un-applied Payments – Lockbox (Contra)	Payment method – deposit number	Chief, CAR Discretion
136200	Un-applied Payments – Credit Card (Contra)	Payment method – deposit number	Chief, CAR Discretion
136300	Un-applied Payments – Non-Treasury (Contra)	Payment method – deposit number	Chief, CAR Discretion
136400	Un-applied Payments – GOALS/IPAC (Contra)	Payment method – deposit number	Chief, CAR Discretion
138000	Long Term Receivable	Year and Month of original document	Next payment due date