Program Statement

1. <u>PURPOSE AND SCOPE</u>. To establish procedures and designate responsibility for assigning accounts to Federal Prison Industries' (FPI's) Chart of Accounts.

Each account number within FPI's account numbering system is designed to comply with the U.S. Government Standard General Ledger (SGL) and consists of five hierarchical segments to facilitate an array of reporting needs. Procedures for assigning numbers vary according to the specific segment. The segments are divided as follows:

- Financial Accounting Number
- Product Group Code
- Factory/Location Code
- Cost Center
- Project Number

All five segments together will be referred to throughout this program statement as the account number. The account number structure appears as follows:

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   XXXX    -   XXXXXX  -   XXXX    -   XXX    -   XXXX
Financial     Product     Factory/    Cost       Project
Accounting    Group       Location    Center     Number
Number        Code        Code
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2. <u>PROGRAM OBJECTIVES</u>. The expected results of this program are:

  a. FPI's Chart of Accounts will provide a uniform chart of accounts and supporting transactions for standard factory and support accounting and the preparation of internal and external reports.

   b. FPI's Chart of Accounts will meet all necessary criteria to be in compliance with the U.S. Government Standard General Ledger.

   c. FPI will maintain a single, corporate-wide account structure that gives financial management staff the ability to accurately consolidate accounting data derived from individual factory records and reports.

3. <u>DIRECTIVES REFERENCED</u>

   Treasury Financial Manual (TFM), Volume 1
   TFM Supplement No. 2, U.S. Government Standard General
   Ledger
   Office of Management and Budget (OMB) Circular A-11,
   Preparation and Submission of Budget Estimates

   TRM 8501.01   Ledgers and Chart of Accounts (11/1/97)

4. <u>STANDARDS REFERENCED</u>. None.

5. <u>FPI CHART OF ACCOUNTS</u>. The FPI - Ledgers and Chart of Accounts Technical Reference Manual is uniquely designed to meet FPI's internal and external reporting needs.

   a. FPI staff shall use the FPI Chart of Accounts to classify all financial transactions.

   b. FPI staff must have written approval from the Controller to use any account number not included in the FPI Chart of Accounts.

6. <u>FINANCIAL ACCOUNTING NUMBER</u>. The Financial Accounting Number is the four-digit number contained in the SGL for classifying financial transactions. Any FPI staff person, perceiving a need, may initiate a request for a Financial Accounting Number to be added to FPI's Chart of Accounts. The following criteria must be met before a new number is created:

   ● the transaction cannot be properly classified in any existing account;

   ● there is a need to classify the transaction apart from other financial transactions for external or internal reporting and/or decision-making purposes;

   ● the need to classify the transaction separately is not an isolated event; that is, the account will continue to be used in the future;

● the account number is needed at factories throughout FPI or at Central Office; it is not isolated to a particular location.

a. <u>Requesting a Financial Accounting Number</u>. All requests for a Financial Accounting Number shall be submitted to the Deputy Controller in the Financial Management Branch (FMB). The following information shall accompany the request:

● justification for the accounting number (why it is needed);

● proposed number, including account number in the US Government SGL to which it correlates (crosswalks);

● brief description of the account (account name) and a definition describing its intended use;

● account type (i.e., asset, liability, owner's equity, revenue, expense);

● object class code (reference OMB Circular A-11), Preparation and Submission of Budget Estimates);

● any restrictions on the use of the account (i.e., Central Office use only).

The Reporting Section of FMB shall provide assistance in completing the request.

b. After review by FMB staff, the Deputy Controller shall submit the request to the Controller for approval.

c. Upon the Controller's approval, the Deputy Controller shall notify the following areas to include the new Financial Accounting Number into the appropriate financial systems:

● all field locations;
● Management Information Systems Branch (MISB);
● General Ledger and Reporting sections of FMB;
● Policy section of FMB for inclusion in the appropriate Technical Reference Manual.

7. <u>PRODUCT GROUP CODE</u>. The Product Group Code segment or product code is the second segment of the account number. This six-character segment allows financial transactions to be further classified according to the actual product line or grouping.

a. Requesting a Product Code. The Program Manager generally initiates requests for new product codes as new items are identified. Program Management staff, Planning, Research and Activation (PRA) staff, or field staff may initiate requests to change existing product codes. The request shall identify:

- the item,
- National Stock Number (NSN) if known,
- the location(s) where the item is to be manufactured, and
- other pertinent information as included in Attachment A.

Requests for additions/changes to product codes shall be submitted to the PRA Branch for approval.

b. PRA Branch Responsibilities. Upon receiving a request to add/change a product code, the PRA Branch shall review the request and, if approved, assign the item a number in accordance with the FPI Chart of Accounts structure. The PRA Branch shall process all approved requests and forward them to FMB, Sales and the Product Support Center (PSC) within 10 working days. PRA shall notify FMB if any changes in product codes result in needed modifications to reports produced by FMB for PRA.

c. FMB Responsibilities. Upon receiving an approved product code request, the Financial Manager shall add the product code to the financial management system FMB maintains, and modify any reports PRA identifies. The Financial Manager shall then notify the Policy Section of FMB and all field locations of the changes to FPI's Chart of Accounts.

In addition, the Financial Manager shall notify MISB of the changes for inclusion in any affected database maintained by that Branch. The Financial Manager shall complete this process within five working days from receipt of the approved request.

d. PSC Responsibilities. Upon receiving an approved request to add/change a product code, the PSC shall assign the product an item number (if applicable) in the Electronic Corporate Item Master (ECIM) and download it to the affected factory(s). The PSC shall complete the change in the ECIM and the download within 10 working days from receipt of the approved request.

e. Field Location Responsibilities. Upon receipt of the product code change in the ECIM, the affected field location Business Manager shall ensure that the product code is added to

the Management Control System (MCS) codes and parameters and that
the necessary product code accounts are added to the local chart
of accounts.

   **Business Managers shall notify the Financial Manager in FMB
when the new product code has been added to their chart of
accounts. Business Managers shall begin using new product codes
on the first of the month following completion of the assignment
process**.

8.   <u>FACTORY/LOCATION CODE</u>. The Factory/Location Code segment is
a four-alpha character factory identifier that is used in the
accounting number only in the Central General Ledger located in
FMB in Central Office. This segment of the accounting number
remains hidden at the field level.

   a. <u>Requesting a Factory/Location Code</u>. When activating a
factory at a new location, the PRA Branch shall submit a request
to the Controller to assign that factory a Factory/Location Code.
When creating a factory out of an operation within an existing
factory, the Senior Program Manager shall make the request for a
Factory/Location Code to the Controller.

   b. <u>Adding a Factory/Location Code to the Chart of Accounts</u>.
Upon the Controller's approval and PRA's concurrence, the FMB
Financial Manager shall, in conjunction with the Manager of the
FMB Policy section, select an appropriate mnemonic for the
factory that is consistent with other factories at that location
and within that program.

   The Financial Manager shall then notify all field locations via
GroupWise of the addition to the FPI Chart of Accounts. The
Policy section shall include the addition in the next revision of
the appropriate Technical Reference Manual.

9.   <u>COST CENTER NUMBERS</u>. The Cost Center Number segment is the
third segment of the account number. This three-character
segment allows for the classification of overhead costs
associated with particular activities.

   a. <u>Requesting a Cost Center Number</u>. In order to standardize
cost centers across FPI, requests to add or change cost center
numbers shall be made to the appropriate Branch Manager as
listed:

Cost Center	Responsible Branch
Production	Program Management
Systems Administration	Management Information Systems
Quality Assurance	Quality and Engineering Support
Maintenance	Quality and Engineering Support
Business Office	Financial Management
Supt. of Industries	Financial Management
Warehouse	Financial Management
Recycling	Financial Management
Purchasing	Material Management

   b. Approval of Cost Centers by Controller. After review and
approval of the cost center by the applicable Branch Manager, the
request shall then be forwarded to the Deputy Controller in FMB
who shall review the request to determine consistency with the
FPI Chart of Accounts. If the cost center is found to be
consistent, the Controller shall then approve it for addition to
FPI's Chart of Accounts.

   c. Upon approval of the cost center, the Financial Manager in
FMB shall enter the number into FPI's financial system in FMB,
and then notify the field that the new cost center has been added
to FPI's Chart of Accounts. In addition, the Financial Manager
shall notify the Policy section of FMB so that the cost center
can be added to the next revision of the Technical Reference
Manual.

10. PROJECT NUMBER. The Project Number is the final segment of
the account number. This four-character segment is used to
accumulate costs for all capital expenditures, specific general
and administrative expenses, and selected projects.

   a. All requests for Project Numbers shall be made through the
appropriate AW(I&E)/SOI or Branch Manager to the Budget Officer
in FMB.

   b. The Budget Officer shall assign a Project Number to all
Machinery and Equipment, and Building and Improvement projects
authorized in the FPI Annual Operating Plan.

   c. Upon the assignment of a Project Number, the Budget Officer
shall notify the Financial Manager in FMB for input into the
Central General Ledger. In addition the Budget Officer shall
notify the affected locations and branches, as well as the Policy
section of FMB for publication in the next revision of the
Technical Reference Manual.

   d. For capitalized projects, the Business Manager shall close
out the project number in the beginning of the fiscal year
following the fiscal year in which the project was completed.

   The project number shall be closed by crediting the appropriate
account and project number and debiting the same account minus
the project number.

   Example: A machine was purchased and placed into service in
   August. On October 1, the following journal entry is made
   to close the project number:

1751-000000-ASFT-000-0000 $15,000
     1751-000000-ASFT-000-F906 $15,000

     To close out project code F906.

                                   /s/
                         Kathleen Hawk Sawyer
                         Director

DATE

MEMORANDUM FOR UNICOR DATABASE MANAGEMENT
              PRODUCT SUPPORT CENTER, ENGLEWOOD, CO

THROUGH   BRANCH MANAGER
               PLANNING, RESEARCH & ACTIVATION

FROM: Name, Position, Factory/Location Code

SUBJECT: Request for Entry/Update/Discontinue of Product
               Code and Finished Good Item Number into Corporate
               Item Master Database

ITEM NUMBER   _ _ _ _ _ _ _ _ _ _ _ _ _ _ _
               (Do not exceed 15 characters)

     () Add Item   () Update Item   () Discontinue Item

DESCRIPTION/DISCONTINUE:
_____
_____
_____
_____
(Do not exceed 40 characters per line. If description is longer than 40
characters, the last character of the first line must be an asterisk (*). The
description will then continue on to line 2 in the Spec. Text field.

NATIONAL STOCK NUMBER: _ _ _ _ - _ _ - _ _ _ - _ _ _ _

DRAWING NUMBER: _____   REV: ()

SPECIFICATION NUMBER   _____   REV: ()

UNIT OF MEASURE   ()EA   ()FT   ()LB   ()SH
                     ()RL   ()SO   ()OZ   ()GA
                     ()Other "Define-_____"

PRODUCT CODE: _ _ _ _ _ _

WAREHOUSE: ()DGDI   ()EPDI   ()FTDI   ()MTDI
                ()SFDI   ()TXDI   ()VCDI

STOCK LOCATION(S): _ _ _ _ / _ _ _ _ / _ _ _ _
                    (Specify stock locations to add)

VERTICALLY INTEGRATED: ()YES   ()NO