



U.S. Department of Justice
Federal Bureau of Prisons

PROGRAM STATEMENT

OPI: FPI/FMB
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Authorization for Capital Expenditures

/s/

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

1. PURPOSE AND SCOPE

To establish criteria and procedures for submitting requests and obtaining authorization for capital expenditures. Individual Requests for Special Authorization (RSA) will be submitted as the need arises throughout the fiscal year.

The Annual Operating Plan is presented to and approved by the Board of Directors of Federal Prison Industries (FPI) before the start of each fiscal year. The Operating Plan contains authorization for an overall dollar amount for capital expenditures for Building & Improvements, Machinery & Equipment, and Factory Activations and is categorized by Business Group.

Before taking procurement action, all FPI components must comply with applicable laws and regulations on obtaining property from government agencies (excess and surplus stocks, Federal Supply Schedules, etc).

Any reference to Associate Warden (Industries and Education) [AW(I&E)] and Supervisor of Industries (SOI) within this document is delegated to the Factory Manager for those factories without an AW(I&E) or SOI.

a. **Summary of Changes**

Policy Rescinded

P8520.03 Capital Expenditures, Authorization for 3/9/00

The following changes have been incorporated in this Program Statement:

- Changes in authorization thresholds.
- Further direction on requesting special authorization.
- Further direction on approval of requests for special authorization.

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

- Requests for authorization to make capital expenditures to acquire any leased, purchased, or donated items will be approved by designated FPI authorities.
- An accurate accounting of committed and expended funds will be maintained.
- Adequate control over major obligations of funds and cash outlays will be maintained.

c. **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. **ACTION REQUIRED**

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

3. **ITEMS REQUIRING AUTHORIZATION**

Individual Requests for Special Authorization (RSA) are required to be submitted prior to procurement action.

Authorization from Corporate Management by way of an approved RSA is required before any acquisition of a capital expenditure item can begin, either by purchase or donation. Capital expenditures, as used in this Program Statement, include the following items:

a. **Machinery and Equipment (M&E).** Authorization is required for any acquisition,

restoration, or repair of M&E that has an anticipated cost of \$10,000 or greater. For donated equipment, authorization must be obtained for items with an original acquisition cost of \$10,000. (Estimated costs are used if actual costs are not available). This applies not only to individual items but also to groups, programs, or equipment projects involving similar or like items.

Example: A Cut and Sew Factory plans to modernize its equipment by replacing its sewing machines. The first phase of the modernization calls for replacing 10 machines at a total cost of \$99,000. Although each individual machine costs less than \$10,000, the total project is well above that amount. Authorization from Corporate Management for the project is required.

b. **Computer Hardware and Software.** Authorization (via signature on the RSA) by the Chief Information Officer is required for purchasing any computer hardware or software, excluding production equipment. This requirement, however, does not include incidental computer supplies such as toner cartridges. Furthermore, production-related computer equipment, such as that used in the production process in Automated Data Processing (ADP) factories or software for personal computers used in the Sign factory for production, is subject to the \$10,000 limit for M&E as stated in Section 3.a.

c. **Motor Vehicles.** Authorization is required for all motor vehicles leased, purchased, donated, or transferred from other Bureau/FPI locations. Authorization to acquire forklifts is subject to the requirements for M&E in Section 3.a.

d. **Buildings and Improvement Projects (B&I).** Authorization is required for any building or improvement project having a total cost, including staff and inmate wages, in excess of \$10,000.

e. **Major New Construction, B&I Projects, Roof Repair and Replacement.** Authorization is required by the FPI Board of Directors for all major construction and M&E as part of major expansion programs. The Branch Chief, New Business Development Group, is responsible for developing FPI Board of Director proposals and resolutions that authorize FPI funding for major B&I or M&E projects associated with factory activation and roof replacement and repairs.

f. **Lease or Rental of Real Estate.** Authorization is required for any new lease or rental of real estate, regardless of the cost.

g. **Pre-Industrial Programs.** Authorization is required for all FPI pre-industrial programs.

h. **Inventory Purchases Without Customer Demand.** FPI's inventory purchases must be in

response to a demand for the inventory that is supported by a firm customer order. Inventory purchases that do not meet these criteria must be authorized in advance through an approved RSA. This requirement exists regardless of whether a factory is within its inventory targets on the current Operating Plan.

4. COMPLETING A REQUEST FOR SPECIAL AUTHORIZATION

a. **Initiating an RSA.** The Associate Warden, Industries and Education/Superintendent of Industries AW(I&E)/SOI will review and sign all RSAs initiated at the field location. Prime Business Office staff at the initiating location assign a control number for the RSA before it is forwarded to Central Office. Additionally, expenditures requiring an asset shell to be created must have the bottom portion of the RSA form completed before submission to the Central Office. Activation RSAs used to request release of funds for factory activations are routed to the Branch Chief, New Business Development Group.

The appropriate Branch Chief or General Manager must sign all RSAs initiated by Central Office before they are forwarded to Corporate management for approval.

A Vehicle Acquisition Request (VAR) (see the Program Statement **Facilities Operations Manual**) is submitted to Central Office with the RSA for the acquisition of any vehicles. In addition, a VAR must be submitted for all forklifts, even when an RSA is not required (i.e., forklifts purchased for less than \$10,000). The Warden, AW(I&E)/SOI, and the Facility Manager must sign the VAR.

b. **Authorization Number.** The initiating location assigns a 10-digit number to all RSAs in the following format:

X-9-9999-XXXX

The first digit is an alpha character designating the RSA type (see listing below). The second digit is the last number of the fiscal year in which the RSA was initiated. The next four digits are for the numerical sequence of issued RSAs. The next two digits are the location code and the last two digits are the factory code.

The following list of codes is for the RSA type designated in the first digit of the RSA number:

M = New Machinery.

R = Repair of Current Equipment.

D = Replacement of Old Equipment.

P = Computer Equipment.

V = Vehicles.

B = New Building.

I = Improvements and Repairs.

O = Other (leased real estate or pre-industrial programs).

F = Factory Activation (note: This code is used for any expenditure related to activation – M&E, B&I, computer equipment, vehicles, etc.).

Example. An RSA number of B-6-0001-XXFT indicates that this RSA is the first RSA issued by the XX location's furniture factory in fiscal year 2016, and that it is for a new building.

RSAs must be complete, accurate, and provide sufficient information for the reviewer and approving authority to identify the item and its purpose. Activation RSAs are to clearly state that the funds have been previously authorized for factory activation.

c. **Vehicle Acquisition Request.** A Vehicle Acquisition Request (VAR) is submitted to Central Office with the RSA for the acquisition of any vehicles as required by the Program Statement **Facilities Operations Manual**. Additionally, a VAR must be submitted for all forklifts, even when an RSA is not required (i.e., forklifts purchased for less than \$10,000). The Warden, AW(I&E)/SOI, and the Facility Manager must sign the VAR. Central Office approval requires the signature of the Bureau Fleet Coordinator and the Deputy Controller, Financial Accounting and Budgeting (FAB).

d. **Duration.** Approved RSAs (other than those related to factory activations) are valid for the current fiscal year only. Funds must be committed via contract/purchase order on RSAs by August 31 of the same fiscal year approval. All items purchased with an RSA approved in the current fiscal year require a delivery date on the purchase order that is within the current fiscal year. Deliveries for approved RSAs may be made through September 30 of the same fiscal year.

Authority expires for all undelivered orders as of September 30. Any expenditures beyond this date require a new RSA. Amounts on open RSAs are incorporated into any cash forecasting report completed by FMB during the year.

Any RSAs submitted for approval after August 31 of the current fiscal year must be annotated to be purchased in the current year or as intended for purchase the following year.

5. ROUTING AND APPROVAL OF REQUESTS FOR SPECIAL AUTHORIZATION

Requests for Special Authorizations are submitted throughout the fiscal year.

a. Signature Requirements. Signature requirements include:

- The AW(I&E)/SOI submits completed RSA's to the appropriate Branch Chief or General Manager.
- The Management Information Systems Branch Chief must make a recommendation for approval of requests for non-production-related ADP equipment first.
- The General Manager must recommend approval of computer equipment that is used for Production purposes (i.e., software for personal computers used in the production of signs). The appropriate General Manager recommends approval on RSAs related to M&E and B&I before submission to the Deputy Assistant Director for approval.
- In addition to the above approvals, a Deputy Assistant Director, Industries Education & Vocational Training (IE&VT), must approve all RSAs.
- The Assistant Director, Industries Education & Vocational Training (IE&VT), must approve all RSAs over \$250,000.
- The FPI Board of Directors must approve requests for amounts greater than \$500,000. Board approvals are not required for the purchase of raw materials in support of normal business operations.
- At the point the collective approved RSA's exceed the initial blanket dollar amount (which was approved in the current fiscal year operating plan for each Business Group), the Controller's signature is required for any additional RSA's. Example: A Business Group is approved for a total dollar amount of \$50,000 in the current fiscal year. Year-to-date RSA approvals total \$40,000. An RSA totaling \$10,001 and all subsequent RSA's for the current fiscal year require the Controller's approval.

b. Requests for Additional Funding. A copy of the original RSA must be attached to the new request for those RSA's requiring additional funding if the capital expenditure was originally approved on an RSA. A new RSA is not required where the additional funding needed is the lesser of 5% or \$50,000.

Example. A factory was authorized funding of \$8,000 to acquire a piece of equipment. It was later learned that the equipment had a cost of \$10,000. An RSA for \$2,000 (with a copy of the original RSA for \$8,000 attached) must be submitted to Central Office for approval.

Requests for additional funding for factory activations are made to Corporate Management through the Branch Chief, New Business Development Group.

6. APPROVAL OF PROJECTS RELATED TO FACTORY ACTIVATION

Authorizations for capital expenditures for factory activations are approved annually in the Operating Plan. However, before funds may be expended, the requesting General Manager submits an Activation RSA to the Branch Chief, New Business Development Group, for approval. Location staff will consult with the appropriate Activation Coordinator for specific instructions concerning items and amounts to be listed on the Activation RSA.

These RSAs are first routed through the Branch Chief, New Business Development Group, then forwarded to FMB for processing. The RSA should clearly state that the funds are to be used for factory activation so that they are assigned the correct RSA number. Activation RSAs are given a number with the letter “F” as the RSA type designator.

The Chief, Marketing, Research, and Corporate Support (MRACS) prepares and submits (through the Assistant Director, IE&VT) to the Board of Directors funding proposals for major construction and M&E for new institutions.

Amounts that are approved by the Board are published in the Activation Section of the Operating Plan as major B&I and M&E. Board-approved funds for activation may be allocated over multiple years. They are valid through the completion of construction and activation.

7. TRACKING AND DISTRIBUTION OF RSAs

Upon approval of an RSA, the signed original is forwarded to the Corporate Reporting Section whose designee is to:

- Review the RSA for accuracy and completeness.
- Submit the RSA to the Deputy Controller, FAB, who reviews, initials, and returns or forwards for additional approvals as required (e.g., Controller, Assistant Director, or Board of Directors).

- Note approval of the RSA on the RSA log, assign RSA authorization number, and maintain a file copy by category (RSAs that are not approved are maintained in a separate file).
- Forward the original RSA (approved/not approved) and the VAR (if applicable) to the initiating authority within 15 days of the date that the completed RSA was originally received by FMB.

8. DURATION OF FISCAL YEAR CAPITAL EXPENDITURE AUTHORIZATIONS

Authorizations for capital expenditures (other than major B&I and M&E) that have been approved are valid for that fiscal year only; the funds must be committed (contract/purchase order issued) in the same fiscal year as approved.

Funds must be committed via purchase order/contract by August 31 of the fiscal year.

Deliveries may continue to be made through September 30 of the current fiscal year. The Prime Business Manager notifies FMB via memorandum of any changes in the proposed purchase/completion dates or funding requirements of Plan-approved items as changes occur.

Any RSA's submitted for approval after August 31 of the current fiscal year must be annotated to be purchased in the current year or as intended for purchase the following year.

9. REPORTING REQUIREMENTS

FPI Prime Business Offices at all locations report financial activity on RSAs and Operating Plan authorizations via the Capital Expenditures Report at quarter-end through the Group One reports. Completed RSAs and Operating Plan authorizations are noted on the report by entering the completion date on the appropriate record.

The Prime Business Manager notifies FMB via memorandum of any unexpended funds remaining on a closed authorization (RSA or Operating Plan).

The Deputy Controller, FAB, or designee maintains an accurate account of funds committed or expended through the capitalization expenditure authorization process by reviewing/reconciling the Capital Expenditure Report. The Deputy Controller, FAB, is responsible for providing a quarterly report on the status of the funds to Corporate Management for review.

The Chief, Corporate Reporting Section, monitors the cash flow impact of approved RSAs, monitors Operating Plan authorizations, and updates the corporate financial reports as appropriate.

REFERENCES

Program Statements

P4200.10 Facilities Operations Manual (1/24/06)
P8041.03 Factory Construction and Activation Manual - FPI (12/11/97)
P8051.03 UNICOR Information Technology Systems Administration (3/18/15)
P8530.03 UNICOR Acquisitions Policy (6/21/06)

ACA Standards

None.

Records Retention Requirements

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