



U.S. Department of Justice
Federal Bureau of Prisons

PROGRAM STATEMENT

OPI: FPI/QCI

Number: 8221.03

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Customer Goodwill Program

/s/

Approved: Thomas R. Kane

Acting Director, Federal Bureau of Prisons

1. PURPOSE AND SCOPE

To establish policy and procedures that promote goodwill with Federal Prison Industries' (FPI) customers. It is FPI's goal to provide a level of service and customer satisfaction so that customers are eager to do business with FPI.

On occasion, FPI's performance may not meet a customer's expectations. In those instances, FPI will take reasonable action to address a customer's requests.

The goodwill program is designed to meet the needs of FPI customers, with flexible terms and options to satisfy every customer.

a. Program Objectives

- FPI's customers will be satisfied when doing business with FPI.
- Goodwill expenses will be properly classified and recorded by FPI locations in accordance with generally accepted accounting principles.

b. Summary of Changes

Policy Rescinded

P8221.02 Customer Goodwill Program (06/25/98)

- Revised procedures for approval of goodwill.
- Updated warranty and return policies to better align with industry standards.

- Removed references to credit vouchers.

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

2. **PRODUCT WARRANTY**

FPI's Product Warranty reads as follows:

We take great pride in teaching inmates good work ethics and marketable job skills in order to produce high quality goods and services for our customers. We are committed to your satisfaction. FPI guarantees all products to be free from defect in materials and workmanship. This guarantee applies to the original purchaser of all items and is in effect upon receipt of the item. If, within the product warranty period, an item we have provided does not perform to industry standards, and no warranty exceptions apply, we will repair or replace it, at our discretion, entirely at our expense.

Warranties and warranty exceptions are listed on the FPI website (www.unicor.gov) by business group, unless otherwise specified in the purchasing agreement.

The following warranty exceptions apply to all FPI products:

a. **Abuse or Misuse of Product.** While we stand behind our commitment to provide the highest quality standards, products have a life expectancy that is based upon normal use. The Product Warranty does not apply to products subjected to abuse, misuse, neglect, alteration, improper or unreasonable use or maintenance, negligence, accident, or exposure to inclement weather conditions. Life expectancy by product line is defined on the FPI website.

b. **Missing Products.** Delivery shortages and incorrect shipments must be reported to FPI within 15 days of the shipping date.

c. **Obsolete Products With Remaining Warranty Period.** If a product or its parts are no longer available to support repair of a product that is within the warranty period, FPI, at its discretion, will offer customers either a replacement item of equal value or a 20% discount toward the purchase of the upgraded item.

Expenses incurred resulting from the Product Warranty may be borne by Central Office or the responsible factory or Program Branch, depending upon the circumstances. The responsible factory or Program Branch bears the cost of repair or replacement of defective goods if the

damage was due to defects in manufacture and occurred during the normal life span of the product.

3. CUSTOMER GOODWILL

Customer goodwill is defined as any activity or expenditure that is designed to either create or increase customer satisfaction in doing business with FPI. These expenditures may be funded at the factory level, by the business group, or by the Central Office Goodwill budget.

4. GOODWILL EXPENSES FUNDED AT THE LOCAL LEVEL

Types of customer goodwill expenditures funded by the factory or Program Branch are listed below. The Operations Manager may authorize these types of expenditures.

a. **QuickShip Program Late Delivery Discounts.** The QuickShip Program compensates customers for late shipment of goods ordered from the QuickShip Catalog. The customer is granted a 10% discount on the sales price of the order for shipments that are delivered later than 30 days. The Operations Manager for the shipping location is responsible for monitoring and discounting invoices to customers for orders that are delivered late. When an order is divided among more than one factory, the factory that delivers late bears the cost of the discount for the entire order.

The Customer Service Center (CSC) will not enter customer orders into the Order Entry module of the Management Control System (MCS) at a discounted sales amount, even when it is known that the QuickShip item will be delivered late when the order is taken. It is necessary to record the order at the full sales amount to recognize the amount of the discount as a cost to the Corporation of not being able to meet its commitment to deliver on time. Entering orders net of this discount prevents the financial system from capturing the costs of these discounts.

b. **Defective Goods.** Factory locations must promptly repair or replace any defective products shipped to the customer during the warranty period, provided that no warranty exceptions apply. The factory absorbs expenses resulting from factory error, including corresponding freight costs.

In addition, outside of the warranty period, as an act of goodwill pursuant to the “Central Office Goodwill Fund” section below, designated management officials may compensate the customer for any inconvenience that contributed to the customer’s dissatisfaction.

c. **Freight Damage.** Although the customer is responsible for settling freight damage claims with the carrier when goods are shipped FOB Origin (meaning that title passes at origin, and the buyer has total responsibility over the goods while in shipment), this is an excellent opportunity

for FPI to create goodwill by quickly responding to the customer's needs. Therefore, the factory or Program Branch must immediately repair or replace damaged items for the customer and negotiate directly with the carrier to recover the cost of the damaged items.

5. CENTRAL OFFICE GOODWILL FUND

FPI sets aside funding for customer goodwill expenditures in the annual Operating Plan. The Operations Managers are responsible for approving all customer goodwill expenditures related to their programs from this budget. When management offers compensation outside of the warranty period or despite an exception to the warranty, the authorizing person is noted in FPI's financial management system (SAP). Generally, customer goodwill expenditures must provide the customer with something more than what was normally expected when the product was ordered. In addition, the customer must be aware that he/she is receiving more than what was expected or that FPI is obligated to provide. Types of customer goodwill expenditures funded by the Central Office budget are listed below.

a. **Non-Defective Product Return.** If the customer wishes to return the product within 40 days from shipment, and FPI determines that the product has no manufacturing defects, the customer can return the product to FPI subject to a restocking fee of the cost of return shipping and up to 25% of the product price. Expenses incurred that result from non-defective product returns may be charged to the Central Office Goodwill budget.

b. **Customer Satisfaction.** Expenses incurred that result from going beyond the customer's expectations may be charged to the Central Office Goodwill budget.

c. **Unrecoverable Freight Damage.** When freight damage is reported by a customer, the factory or Program Branch must immediately repair or replace damaged items for the customer and negotiate directly with the carrier to recover the cost of the damaged items. After all attempts have been made to collect for the damage from the carrier with no results, the associated expenses may be charged to the Central Office Goodwill budget.

d. **Other.** Many staff, particularly Sales Representatives, are on occasion in a unique position to promote goodwill with FPI customers. The Central Office Goodwill budget may be used to provide funds for various products or repair existing products, as requested by individual staff as agents of FPI in creating and enriching FPI's relationship with the customer.

6. CENTRAL OFFICE GOODWILL FUNDING REQUESTS

The General Manager, Operations Manager, or individual staff person submits all requests for funding of goodwill expenditures (from the Central Office Customer Goodwill budget) to the

Customer Goodwill program administrator. The administrator logs the request, assigns a number and suspense date, and forwards it to the appropriate Operations Manager for approval.

The Operations Manager reviews the request and notifies the requestor of approval or denial, forwarding a copy of the response back to the administrator. The administrator forwards a copy of all approvals to the Financial Management Branch (FMB). The accountant responsible for the Central Office general ledger in FMB maintains supporting documentation ensuring that the appropriate Operations Manager has approved all expenses charged to the Central Office Goodwill budget.

7. METHODS OF COMPENSATION

There are a variety of methods available for compensating FPI customers to promote customer goodwill. Any may be used for customer goodwill expenditures, whether funded by the factory, Program Branch, or Central Office Goodwill budget.

a. **Credit Memo Request.** Credit memos must be approved by program management and are issued by contacting CSC staff to enter a ZCR transaction code in SAP. ZCR applies credit against a customer account and can reference the customer order that applies to the noncompliant part of the order.

b. **Discount for Late Delivery of QuickShip Orders.** FPI guarantees that all items listed in the QuickShip Catalog will be delivered to the customer in 30 days, or the sales price of the late items are discounted by 10%. As noted above, the Operations Manager for the shipping location is responsible for monitoring and discounting invoices for late deliveries. When an order is divided among more than one factory, the factory that delivers late bears the cost of the discount. If more than one factory is late, the discount is prorated among those factories that delivered late. The discount is recorded to Financial Account Segment (FAS) 5120, Returns and Allowances, Government Sales.

If the discount involves a credit card order, the FMB Accounts Receivable Section located in FPI Lexington ensures that only 90% of the total sales price of the order is collected for any late delivery of QuickShip items. The Accounts Receivable Section transfers the discounted amount back to the factory upon collection. The amount of the discount for credit card orders is recorded to FAS 5125, Returns and Allowances, Government Sales (Credit Card).

c. **FPI Products or Services.** Customer Goodwill activities may take the form of compensation in FPI products or services. For example, products may be given to customers in compensation for inconveniences associated with defective goods.

If the activity meets the criteria for Central Office funding outlined in Section 5, the related costs are transferred to Central Office via the Inter-Industry Transfer module. The appropriate Operations Manager must approve all customer goodwill-related transfers before the charges can be accepted.

8. ASSISTANCE

Questions related to requests for funding of goodwill activities should be directed to the appropriate Operations Manager. Questions regarding the issuance or redemption of credit should be directed to the Financial Management Branch.

REFERENCES

Program Statements

P8000.01 UNICOR Corporate Policies and Procedures (03/27/95)
P8200.04 Marketing and Sales Manual, FPI (06/11/97)
P8270.02 Customer Services Center Manual – UNICOR (02/18/98)

Other References

UNICOR website (www.unicor.gov)

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) on Sallyport.