


**U.S. DEPARTMENT OF JUSTICE
Federal Bureau of Prisons**



**PROGRAM STATEMENT
Federal Prison Industries Warehouse Procedures**

Approved by	 William K. Marshall III Director, Federal Bureau of Prisons
DPI	FPI
Number	8351.02
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Summary of Changes

<i>Program Statement Rescinded:</i> <ul style="list-style-type: none">8351.01 FPI Warehouse Procedures (3/23/15)
<i>Changes:</i> <ul style="list-style-type: none">Clarifies responsibility for management of FPI warehouses.Updates positions and procedures.Adds a Training section.

1. PURPOSE AND SCOPE

To establish procedures for receipt, storage, and issuance of inventories and other materials maintained within Federal Prison Industries' (FPI) warehouses. FPI's investment in inventories is significant and essential to the success of the manufacturing process.

a. Program Objectives.

- Warehouse procedures will be standardized to ensure consistency.
- The physical control of materials stored at the warehouse will be improved and maintained.
- Expenses associated with obsolete and damaged materials will be controlled.
- Oversight of warehouse operations and functions is clearly defined.

b. Institution Supplement. None.

2. RESPONSIBILITY

The FPI Financial Management Branch (FMB) is responsible for the effective management of warehouse operations. If a warehouse location does not have FMB staff on site, the Operations Manager will assist in administering warehouse operations, in coordination with the offsite Accountant or Business Manager.

Collaboration between FPI business groups and FMB is vital to successful warehouse operations, and designated personnel will work collectively to meet the required warehouse objectives.

This structure will support and ensure staff are provided effective supervision and staff are trained to perform their assigned duties. Warehouse personnel will in turn ensure inmate workers are effectively trained.

3. DEFINITIONS

For this program statement's purposes, these terms are defined as follows:

- a. **Inventory.** Items of tangible personal property held for sale in the ordinary course of business, are in the process of production for future sale, or are basic materials stored for future use in the production of customer orders.
- b. **Inventory Control.** The process of minimizing the total cost of maintaining and handling material or product and safeguarding assets by maintaining records to reflect total stock available, providing accountability of material movement, keeping track of inventory allocated for future consumption, processing deliveries from vendors/production, and facilitating customer shipments and returns.
- c. **Inventory Values.** The value assigned to each item held as inventory. FPI uses the moving average cost method for raw materials (i.e., the value of stock on hand with the latest acquisition value added, divided by the units on hand after latest receipt).
- d. **Standard Cost.** A planned value for executing an operation, based on an approved bill of materials and work measurements. Standard cost estimates establish standard prices for semi-finished and finished products. Standard values are used in costing, scheduling, and capacity planning to calculate costs, execution times, and capacity requirements.

4. WAREHOUSE AREAS

Several distinct warehouse areas may exist including:

Receiving dock. Area where trucks are loaded and unloaded. It handles unloading, counting, and initial acceptance. Material is kept in the dock area until a receiving report is prepared.

Quality assurance (QA) inspection area. Area where all material is certified or inspected before storage or transfer to production. A separate storage area is kept for materials failing to pass inspection or are pending further assurance. Quality Assurance Managers, in conjunction with Warehouse Supervisors, are responsible for training inmates who work in this area on how to effectively conduct quality assurance inspections and other QA processes.

Main warehouse area. Area where items that have been inspected and certified as acceptable are stored. The area is segregated by material type, and allows safe accessibility in filling factory requisitions, delivering outgoing materials, etc.

Vendor consignment/Government Furnished Material area. Area used to store vendor consignment or Government Furnished Materials (GFM), which are segregated from FPI inventory.

5. WAREHOUSE REQUIREMENTS

The warehouse must:

- Use a system of issuance to ensure first-in first-out procedures (FIFO) are maintained, where the oldest stocks are used first, lessening risk of deterioration.
- Clearly label storage areas to indicate material numbers stored in each shelf, bin, etc.
- Use an effective locator system showing storage locations.

Materials are stored to maximize personal safety and to safeguard FPI assets from damage while minimizing the total cost of maintenance and handling.

6. ENHANCED SECURITY MEASURES FOR FPI WAREHOUSES

Security measures for warehouse operations are required to be in accordance with the Program Statement **Correctional Services Manual**. In addition, all inmate workers entering or leaving the warehouse area are scanned with a walk-through or hand-held metal detector. Pat searches will be conducted in accordance with Program Statement **Searches of Housing Units, Inmates, and Inmate Work Areas**.

Warehouse keys are controlled as follows. A wood or metal box with a glass front, large enough to contain the entire warehouse key ring, will be placed in the control center. At the end of each workday, the warehouse key ring is securely locked in this box. A key to the locked box may be checked out on a 24-hour basis to designated FPI warehouse staff only. Any exceptions to this process must have prior written approval by the FPI Assistant Director, unless an emergency necessitates proceeding without prior written approval. After any emergency incident, a memorandum is sent to the Operations Manager and Accountant over the location, documenting the situation that required emergency key access.

Borders will be established readily identifying the warehouse area as out-of-bounds to inmates not assigned to the warehouse. Inmates not assigned to the warehouse are not authorized to be in these areas.

Prior to assigning inmates to the warehouse detail, the Warehouse Supervisor must request from the Special Investigative Supervisor a review of each inmate to determine if a pre-existing relationship or other security concern exists (e.g., a history of introducing contraband, an ongoing investigation, or a relative housed inside the secure perimeter).

The number of inmates working in the warehouse may not exceed the number of inmates warehouse staff can effectively manage and control. Inmates must not work in the warehouse without staff supervision and are never locked in the warehouse without a staff member present. Additionally, all inmate workers must wear a high visibility vest during working hours.

The Operations Manager must develop warehouse post orders addressing warehouse security issues not otherwise addressed in policy and unique to the institution.

7. STORAGE LOCATIONS

At a minimum, all factories will use the warehouse storage locations found in the FPI financial information system. The Business Manager will be responsible for approving any additional storage locations.

8. RECEIPT OF MATERIALS

All materials and supplies received by the factory physically enter through the warehouse. Exceptions must be approved by the Accountant or Business Manager on site.

Immediately upon receipt, the bill of lading must be reviewed by warehouse staff to ensure the shipment is intended for their location and to protect sensitive information from inmate access. Once the physical skid count has been verified against the listed count on the bill of lading, the staff member present must sign and date the bill of lading. All discrepancies and visible damage will be notated on the landing bill and signed by the delivery driver. All notated discrepancies must be reported to the vendor, Contracting Officer, and Factory Manager that same day. It is also recommended to note on the bill of lading that goods received are "Subject to Count and Quality Inspection." If no landing bill is included in the shipment, the warehouse staff must contact the vendor to obtain the missing documentation. The Contracting Officer and Factory Manager must be notified and copied on any correspondence sent to the vendor.

The packing slip will be used to inventory the shipment. Any variances between the physical inventory and the packing slip must be annotated and reported to the vendor, Contracting Officer, and Factory Manager that same day. If no packing slip is included with the shipment, the

warehouse staff will contact the vendor to obtain the missing documentation. The Contracting Officer and Factory Manager must be notified and copied on any correspondence sent to the vendor. All materials received must be entered into the FPI financial information system within one business day of receipt. Non-compliance is documented indicating the circumstances (e.g., institution lockdown, wall-to-wall inventory, or unavailability of the FPI financial information system). As required by the Program Statement **Quality Program Manual**, materials are either accepted, retained for rework, or rejected. Defective materials are stored in the designated quality assurance holding area in the warehouse and moved into the Warehouse Rejection (WHRJ) location within the FPI financial information system until disposition is made.

The defective materials remain in the WHRJ location in blocked status until physically returned to the vendor, via a return authorization, and a goods movement is posted in the FPI financial information system. The warehouse notifies the Centralized Accounts Payable (CAP) section immediately upon return of defective material. If disposition of the received material is unresolved after three business days, the warehouse contacts CAP to prevent vendor payment.

If delivered quantities exceed the allowable over-delivery tolerance, warehouse staff receive only the allowable value, including the delivery tolerance, and notify the vendor, Contracting Officer, and Factory Manager immediately to determine whether the excess is to be received or returned to the vendor. Quantities need to be safeguarded until final resolution with the vendor.

Goods receipts are processed in the FPI financial information system by matching the receipt of materials to the correct purchase order. For service-type purchase orders with goods receipt requirements, the warehouse must have signed verification that the service has been performed. QA stamps and Certificates of Conformance (where applicable) are required, with the exception of GFM.

Receipts of materials against purchase card orders are executed using the FPI financial information system. The signed receiving report and a copy of the packing slip, if available, are sent to the respective card holders as received.

Receipt of hazardous material is conducted per Section 12 of this program statement.

9. ADMINISTRATION OF MATERIAL RECEIPTS

To facilitate the receipt and subsequent accounts payable process, warehouse staff perform the following activities:

Daily, the Warehouse Supervisor or designee at the field location prints, audits, and signs the previous day's Material Document List report from the FPI financial information system to verify that goods receipts listed on the Material Document List have a hard copy receiving report

printed and signed by a warehouse staff member. This requirement includes the goods receipt of purchase card orders.

After verification, the Material Document List is signed by the Warehouse Supervisor or designee. The original is forwarded to the Operational Accountant within 48 hours. The warehouse keeps a copy of the signed list.

Warehouse audit files must contain copies of the daily signed Material Document List and corresponding receiving reports, filed in chronological order. The warehouse receiver files must contain the following documents:

- Original receiving report.
- Vendor packing slip, if applicable.
- Certificate of Conformance, if applicable.
- Rejection notice, if applicable.
- QA stamp, if applicable.

As required in Section 8, Receipt of Materials, when receiving purchase card orders the signed receiving report and a copy of the packing slip, if available, are sent to the cardholder as received. The warehouse is required to maintain files for purchase card receipts.

Rejected goods are reversed in the FPI financial information system by the close of business on the third (3rd) business day (72 business hours) from original receipt. The Warehouse Supervisor ensures rejection notices are attached to the appropriate receiving reports and the Material Document List.

Contra receiving reports processed in the FPI financial information system after the third business day are emailed to CAP within 24 hours of issuance.

The following procedures will be performed to ensure the accuracy of goods receipts at the warehouse:

Upon receipt of the original Material Document List, the Operational Accountant verifies the accuracy of the Material Document List by reviewing General Ledger account 232100 (Goods Received/Invoice Received) and the offsetting account(s) associated with the receiving transaction. The General Ledger Account Display is generated using the date of the Material Document List.

Using the Material Document List, the Operational Accountant verifies every receiving report on the Material Document List has a corresponding entry for General Ledger account 232100. The files must contain an original Material Document List and a copy of the account display for General Ledger account 232100.

Monthly, the Operational Accountant assigned to each field location conducts a random review of the Material Document List and completed receiving reports maintained at the warehouse to validate that receiving reports are signed by staff, a hardcopy is maintained, supporting documentation is attached (e.g., Certificate of Conformance, rejection notice, and QA stamps), and the receiving reports support the corresponding entries on the Material Document List.

At a minimum, 5%, not to exceed 25 receiving reports, are reviewed to ensure receiving report maintenance procedures are being followed. A file is kept at the warehouse location documenting the review.

10. GOVERNMENT FURNISHED MATERIAL (GFM) OR CUSTOMER SUPPLIED PRODUCTS (CSP)

GFM and CSP are items furnished by the customer that physically reside in FPI's warehouse. GFM and CSP are either:

- Material purchased by the customer for a specific project;
- Material produced by FPI and stored for a specific project; or
- Material given to FPI by a government agency for later use.

GFM and CSP are received, maintained, and issued at zero value.

The receiving report contains part number or national stock number (NSN), receiving document number, quantity, condition, damage description, locations of storage, date received, who received, and contract or purchase order number. GFM and CSP are counted annually and at the end of the contract. For additional guidance, see the Program Statements **Quality Program Manual** and **Physical Inventories – FPI**.

11. CONSIGNMENT

Consignment inventory is vendor inventory that physically resides in an FPI warehouse. It must be secure and separate from FPI inventory. A physical inventory is conducted at least once a year by the vendor under supervision by FPI warehouse staff.

To maintain consignment inventory, prior written approval must be received from the General Manager and the Chief Financial Officer (CFO). Subassemblies and finished goods are not approved for consignment. Consignment agreements must be completed as written contracts. Value assigned is based on the current contract prices. Consignment items are always received on a purchase order at zero value.

Once issued from inventory, ownership transfers to FPI. If consignment inventory has been issued from stock, it should never be reissued back to the vendor's storage location unless this is

written within the contract. Consignment inventory should not be transferred from one location to another (except when all the material available is issued to an FPI storage location, then transferred to another location).

12. RECEIPT AND CONTROL OF HAZARDOUS MATERIAL

All staff are responsible for ensuring a safe working environment for staff and inmates. This begins with the receipt and control of materials through the warehouse. As indicated in Section 8, the receipt of all goods takes place via warehouse operations. The warehouse is required to maintain procedures established within the Program Statement **National Occupational Safety and Health Policy**.

13. ISSUANCE OF MATERIALS

The Factory Manager uses the FPI financial information system for Material Requirements Planning (MRP) for the factory. Warehouse staff use one of the following methods for issuing materials from the warehouse to the production floor:

a. **FPI Financial Information System Picking List.** Factory staff run the picking list transaction in the FPI financial information system daily to determine MRP demands for material. The factory reviews MRP requirements and only requests materials currently in stock, then forwards this request to the warehouse with signature and date submitted. Warehouse staff prepare the items requested, noting quantities supplied on the picking list, and sign and date the picking list upon confirming items and quantities. Materials are issued by the warehouse within 24 hours.

The materials are physically moved from the warehouse and delivered to the factory. The factory foreman receiving the picked items verifies the count of items received, notes the date received, and signs the picking list. The warehouse issues the material in the FPI financial information system from the warehouse storage location to the production order.

b. **Goods Movement – Goods Issue Transaction.** Materials more than amounts required by the bill of material may be requested in a format other than the FPI financial information system picking list. In such instances, the Factory Manager makes a written request to the warehouse using a manual requisition, which contains the material, quantity, general ledger account, and cost center or production order number. The Factory Manager or designee signs and dates the requisition and forwards it to the warehouse for fulfillment.

The warehouse meets the requisition, delivers the material to the requestor, and posts the goods issue transaction in the FPI financial information system. The Factory Manager documents the production order text in the FPI financial information system when materials are issued to a

production order for rework, using a goods movement transaction. Exercise care to ensure the correct production order and factory are used.

c. **Shop Stock.** The need for stock arises when it is not practical to supply bulk materials in the quantity needed for individual production orders. Shop stock is approved by the FPI CFO. If the factory has approval, shop stock will reside on the factory floor. The Factory Manager is accountable for shop stock located on the factory floor. To stock or replenish factory shop stock, the Factory Manager makes a written request to the warehouse using a manual requisition for delivery of items from the warehouse storage location to the approved factory floor shop stock location. The warehouse performs a MIGO, or equivalent, transfer posting in the FPI financial information system to record the movement.

Issuance of materials from the warehouse to the factory is accompanied by the signatures of warehouse staff, verifying quantities delivered, and the Factory Manager, confirming quantities received. This ensures there is no discrepancy between the warehouse and the factory. The warehouse keeps copies of signature pages.

Once the materials are accepted by the Factory Manager, control transfers to the Factory Manager. This includes maintaining a secure storage location in the factory, designating procedures for removal of materials from shop stock locations, and conducting a monthly physical inventory of shop stock.

14. INVENTORY MANAGEMENT

FPI's goal is to maintain at least 95% inventory accuracy. Each location ensures inventory plans, classifications, accuracy rates, and corrective actions to maintain accuracy rates are in accordance with the Program Statement **Physical Inventories – FPI**.

15. RECEIPT AND STORAGE OF MANUFACTURED GOODS

Generally, finished goods and subassembly items manufactured are shipped to fulfill customer orders, Stock Transfer Order (STO) demand, or stored for future consumption as a component to a finished good item. If these items are sent to the warehouse to prepare for delivery, they must be stored separately from other material types and accounted for as required in the Program Statement **Physical Inventories – FPI**.

If finished goods and subassembly items are delivered directly from the factory for final delivery to the customer (i.e., loading trailers from the factory) the Factory Manager ensures they are accounted for while inside the factory using inventory management procedures.

16. RECEIPT AND STORAGE OF REJECTED MANUFACTURED GOODS

If the Quality Assurance Department rejects work-in-process or completed production items pending a decision to rework or scrap, the factory may request their transfer to the warehouse. The warehouse places the items in the quality assurance holding area and moves them to the WHRJ, or equivalent, storage location within the FPI financial information system, pending disposition. If retained in the factory, these items should be held in a designated shop floor reject area or quality assurance holding area.

17. DELIVERY AND SHIPPING OF MATERIALS

The security of trailers will be managed in accordance with the Program Statement **Correctional Services Procedures Manual**.

The handling, storage, packaging, preservation, and delivery of materials or products must follow contractual requirements and drawings. Absent these requirements, local standard operating procedures and process instructions apply.

Regardless of whether materials are prepared for delivery inside the factory or at the warehouse, warehouse staff execute shipping transactions in the FPI financial information system. The FPI financial information system goods issue posting date should be the same as the date of physical shipment, but not before the actual pickup date. Noncompliance must be documented (e.g., FPI financial information system unavailable).

The Government Bill of Lading (GBL), Commercial Bill of Lading (CBL), or any documents required by the customer or by Accounts Receivable (AR) are completed before delivery. Copies of Department of Defense DD Form 250 (DD250s) are scanned and sent to AR. DD250s requiring source inspections are not posted in the FPI financial information system until the DD250 is signed and the shipment is physically made. Locations use a control log for issuing GBLs/CBLs. The numbering sequence uniquely identifies the factory, GBL/CBL number, and fiscal year. A new transportation register starts at the beginning of each fiscal year, according to the Program Statement **Transportation, Payments and Audits**.

18. BILL AND HOLD DELIVERIES

The Program Statement **Revenue Recognition – FPI** defines Bill and Hold Contracts as sales agreements including one or more clauses requiring FPI to maintain physical possession of merchandise produced for one or more customers.

The following procedures apply to Bill and Hold deliveries:

- Terms of performance are completed and accepted by the buyer before the transaction can be recognized (e.g., no unqualified right of return, refunds, etc.).
- The product must be complete, ready for shipment, segregated from other inventory, and not subject to being used to fill other orders.
- The warehouse safeguards the assets to prevent loss/damage.
- Timelines for the transfer of liability and ownership are defined clearly and passed completely to the buyer.
- Schedules for delivery of goods are negotiated in advance, outlined in the contract, do not exceed normal industry standards, and are consistent with the customer's other trade practices.

19. CUSTOMER RETURNS

Warehouse staff use the FPI financial information system to execute return transactions. A return transaction is tied to the original sales order and may be linked to a subsequent delivery or free delivery, depending on the circumstances. When the material is received at the warehouse, Quality Assurance communicates its disposition to warehouse staff. This, as well as the information within the quality notification, dictates the type of material movements needed in the FPI financial information system.

20. EXCESS AND OBSOLETE INVENTORY

Warehouse staff ensure items identified as excess or obsolete are stored separately and moved to the Excess and Obsolete (EXOB), or equivalent, storage location in the FPI financial information system, allowing reconciliation with the general ledger. Inventory can only be moved to the EXOB storage location after General Manager approval following the annual EXOB review. Materials are not removed from the FPI financial information system stock unless approved per the Program Statement **Excess and Obsolete Inventory, FPI**.

21. REVIEW OF INVENTORY FOR EXPENSE ACCOUNT ITEMS

In order to ensure items delivered via a Stock Transfer Order (STO), or equivalent, are correctly classified, warehouse staff review the list of warehouse stock on hand, using the FPI financial information system to ensure expense account items are not being carried as inventory (e.g., furniture ordered for use at the receiving location or filters/materials used in production but not part of a final product). This review is done before month's end, to ensure inventory balances only reflect items actually maintained as inventory.

22. RECEIPT OF TOOLS AND SECURITY ITEMS

Tools and security items are received and controlled by Program Statement **Correctional Services Procedures Manual** and local Institution Supplements.

23. RECEIPT AND DISPOSAL OF FIXED ASSETS

Warehouse staff are responsible for safeguarding FPI's fixed assets. Upon receipt of fixed assets and sensitive equipment, the warehouse notifies the responsible property officer and Operational Accountant. The warehouse assigns an FPI tag number and etches or permanently secures an inventory tag. A receiving report is completed in the FPI financial information system, and a copy of the receiving report is sent to the Operational Accountant, who updates the asset master data in the FPI financial information system. The warehouse notes the following on the receiving report:

- Manufacturer.
- Model Number.
- Serial Number.
- FPI Tag Number.

The Operations Manager is to appoint a Board of Survey per the Program Statement **Disposition of Personal Property and FPI Form 30, Report of Survey** to conduct personal property reviews before the disposal of a fixed asset. The Board of Survey, which includes a representative from the Business Office, Warehouse or Quality Assurance, and factory management, determines, based upon the condition of the property, whether it is to go through the agency screening procedures or be disposed of as scrap.

24. TRAINING

The FMB, with assistance and input from the respective business group, FPI Chief Quality Officer, and FPI Chief Learning Officer, will develop, prioritize, and deploy warehouse training. All learning and development activities will use online asynchronous (individual and independently deployed content), instructor lead in-person, and live online training methods as appropriate.

REFERENCES

Program Statements

National Occupational Safety and Health Policy
Correctional Services Procedures Manual
Searches of Housing Units, Inmates, and Inmate Work Areas
Physical Inventories - FPI
Quality Program Manual
Revenue Recognition - FPI
Transportation, Payments and Audits
Excess and Obsolete Inventory, FPI
Disposition of Personal Property and FPI Form 30, Report of Survey

ACA Standards

Performance-Based Standards and Expected Practices for Adult Correctional Institutions (5th Edition): 5-ACI-7A-01, 5-ACI-7A-04, 5-ACI-7A-06, 5-ACI-7A-07 (M), 5-ACI-7A-08, 5-ACI-7A-09, 5-ACI-7A-10, 5-ACI-7A-11, 5-ACI-7A-12, 5-ACI-7A-13

Performance-Based Standards and Expected Practices for Adult Local Detention Facilities (5th Edition): 5-ALDF-5C-06, 5-ALDF-5C-09, 5-ALDF-5C-10, 5-ALDF-5C-11 (M), 5-ALDF-5C-12, 5-ALDF-5C-13, 5-ALDF-5C-14, 5-ALDF-5C-15, 5-ALDF-5C-16

Standards for the Administration of Correctional Agencies, 2nd Edition: 2-CO-5A-01

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 the Bureau's intranet site.