

**SBA**

**SOP 20 04 1**

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**CASH MANAGEMENT**

**U.S. Small Business  
Administration**  
Office of the Comptroller

**SMALL BUSINESS ADMINISTRATION  
STANDARD OPERATING PROCEDURE  
NATIONAL**



<b>SUBJECT:</b>  CASH MANAGEMENT	S.O.P.		REV
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**INTRODUCTION**

1. Purpose. To add Section G on "Cash Management Improvements and Reports." This section includes the requirements for cash management reviews, improvements and reports to the Treasury Department.  
  
Also, to delete the "Reporting of Lost Economic Discounts to Treasury" (formerly paragraph 12.b) which is no longer required by the OMB or the Treasury Department.
2. Personnel Concerned. Director, Office of Administrative Services; Director, Office of Accounting Operations; Director, Office of Financial Operations; authorized certifying officers, assistant regional administrators for management/administration, administrative officers, cashiers - Class A, alternate cashiers, and collateral cashiers.
3. SOP Canceled. 20 04, dated June 2, 1980.
4. Distribution. Standard.
5. Originator. Policy and Procedures Staff, Office of the Comptroller.

<b>AUTHORIZED BY</b> Lawrence R. Rosenbaum Acting Comptroller		<b>EFFECTIVE DATE</b> 4/13/87
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SECTION A -- AUTHORITY AND RESPONSIBILITY

1. AUTHORITY

Volume 1, Part 6, Chapter 8000 of the Treasury Fiscal Requirements Manual and Treasury Department Circular No. 1084 establish the policy regarding cash management practices within the Federal Government relating to the development and promulgation of regulations, systems and procedures; and require that agencies conduct financial activities in a manner which will make available to the Treasury on a continuing basis the maximum amount of cash to invest and to avoid unnecessary borrowing.

2. RESPONSIBILITY

The overall responsibility for the management of SBA's cash lies with the Office of the Comptroller. However, all SBA officials with contracting and other obligatory authority must adhere to the policy established by these regulations. Regional administrators, district directors, and branch managers are responsible for the timely flow of cash collections to the Office of Financial Operations (Denver) or the Office of Accounting Operations (Washington) for deposit.

SECTION B -- BILLINGS AND COLLECTIONS

3. TIMELINESS

The Fiscal Branch, Washington; the Fiscal Examination Branch, Denver; the Administrative Services Division; and administrative staffs in field offices, which are responsible for the manual preparation of invoices for goods or services to individuals and organizations outside the U.S. Government will ensure that the preparation and dispatch of each invoice is completed within one working day after the day the billing office is advised that the goods have been shipped or released or the services completed. The payment due date will be 30 days from the date of the invoice. If the actual value of the goods or services cannot be determined on the date the invoice is to be prepared, and the estimated value is less than \$50,000, billing will be accomplished within one working day after the actual value is determined. If the actual value of the goods or services cannot be determined on the day the invoice is to be prepared, and the estimated value is \$50,000 or more, partial billing, identified as such, will be accomplished for not less than 75% of the estimated value, with a statement that the final billing will be completed when the actual value is determined. Partial billing will also be accomplished when the estimated value is less than \$50,000 and determined to be cost effective.

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Contracts which authorize the sale of goods or services to an organization outside the U.S. Government will include provisions which:

- a. Establish a definite payment due date.
- b. Require that payment be received no later than the due date.
- c. Provide for payment by wire where applicable.
- d. Provide for additional charges for payments received after the due date.

Invoices for loan guaranty fees and surety bond guarantee and processing fees are effectuated at the end of the month in which the fee was due using automated data processing.

**4. CHARGES FOR LATE PAYMENTS**

- a. Payments Covered by Contracts, Agreements, or Other Formal Arrangements. Except where prohibited or expressly provided for by law, program officials will ensure that charges for late payments will be made in accordance with the provisions contained in TFRM 6-8020. The Fiscal Branch, OAO, or the Fiscal Examination Branch, OFO, as applicable, will ensure that such charges are collected for payments received after the due date.
- b. Payments Not Covered by Contracts, Agreements, or Other Formal Arrangements. Initial notification of amounts due SBA, not covered by contracts, agreements, or other formal arrangements, which are prepared by the Fiscal Branch, OAO or the Fiscal Examination Branch, OFO, as applicable, will inform the debtor of the basis for the indebtedness, the date by which payment is to be made (due date), and the requirement concerning additional charges for payments received after the due date. All charges for late payments will be made in accordance with provisions contained in TFRM 6-8020.
- c. Deposit of Late Charges. The total amount of charges for late payments will be deposited with Treasury and credited to miscellaneous receipt account -- 1499, "Miscellaneous Interest Collections Not Otherwise Classified."

**5. CENTRALIZED COLLECTION POINTS**

SBA maintains two centralized collection points; the Collection Activities Branch, OFO, which receives and deposits regular and disaster loan repayments, surety bond guarantee fees, and collections resulting from administrative activity; and the Fiscal Branch, OAO, which receives and deposits Small Business Investment Company repayments, section 8(a) subcontractor advance repayments and miscellaneous collections resulting from administrative activity.

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All collections received in field offices must be forwarded to the applicable centralized collection point the same day as received. See National SOP 20 05, "General Cashier Control Procedures," for details.

**SECTION C -- DEPOSITS**

**6. TIMELY DEPOSIT OF RECEIPTS**

In addition to collecting receipts in a timely manner, SBA will deposit its receipts with Treasury on a timely basis. The procedures in this chapter govern the cash management aspects of SBA deposits and are based on Part 5 of Volume 1, TFRM.

**7. PROCESSING DEPOSITS**

To expedite the flow of funds, payments received (checks, money orders, etc.) will be separated from any accompanying accounting documents and forwarded for deposit promptly. Payments received in field offices for any reason are to be forwarded to the Collection Activities Branch, Denver, or the Fiscal Branch, Washington on a daily basis, (see SOP 20 05). Due to the volume of collections in the Collection Activities Branch, automated processing equipment is used to expedite receipt processing.

**8. FREQUENCY OF DEPOSITS**

Treasury requires that receipts of \$1,000 or more be deposited on a daily basis. The daily receipts in the Collections Activities Branch and the Fiscal Branch exceed \$1,000 in each location; therefore, deposits will be made daily.

**9. TIMELINESS OF DEPOSITS**

All collections received in the Collection Activities Branch will be transported by armored car and deposited in the Denver branch of the Federal Reserve Bank of Kansas City in order to accomplish deposit on the same day as receipt. All collections received in the Fiscal Branch will be deposited with a selected local bank in order to accomplish deposit on the same day as receipt. A next day deposit must be accomplished where same day deposit is not cost effective.

**10. REPORTING LARGE DEPOSITS**

Since the Department of the Treasury must manage its balances at each Federal Reserve Bank on a daily basis, large transactions affecting these balances must be reported accordingly. Therefore, if either the Collection Activities Branch or the Fiscal Branch should deposit an item

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of \$10 million or more in one transaction, other than Treasury checks, it will report to Treasury on the day of deposit. The report shall reflect the amount deposited and the name and location of the depository. It shall be sent by wire (commercial facilities, TWX 7108229201, 02, 03, or 04) to:

Funds Control Section  
 Division of Government Accounts and Reports  
 Bureau of Government Financial Operations  
 Department of the Treasury  
 Treasury Annex No. 1, GAO Building  
 Washington, D.C. 20226

SECTION D -- DISBURSEMENTS

11. TIMELY PAYMENTS AND DISCOUNTS

Invoices, bills, statements, or any other documents, (hereinafter referred to as "Invoices") which are authorized for payment, including progress and final payments, will be paid in a timely manner and appropriate discounts will be taken.

- a. Disbursements for the purchase of loans under the Agency's guaranty loan program are processed through an automated data processing system on a daily basis with an approximate 30-day lag. Disbursements of claim payments under the Agency's surety bond guarantee program are processed on a biweekly basis with an approximate 30-day lag. No discounts are available under either of these programs.
- b. Under the Agency's administrative accounting system, the payment of invoices are processed in accordance with Central Office SOP 20 12, "Administrative Accounting Operating Procedures," which calls for invoices to be paid within the time prescribed but not before the due date. Payments will not be made on invoices prior to the receipt of the related goods or services except as specifically provided by contract or other agreements executed pursuant to law. In cases where the invoice does not otherwise specify a payment due date, the due date will be considered to be on the 30th day from the later date of receipt of a proper invoice or acceptance of the goods or services.
- c. During SBA's voucher examination procedures, as detailed in SOP 20 12, a determination is made whether cash, trade quantity, or other discounts have been considered. When available and feasible, invoices offering discounts will be given priority so that payments will be made within the time prescribed. Such discounts will be taken when the effective annual rate as determined in the formula in paragraph 12 is at least equal to or greater than the percentage

rate based on the current value of funds to Treasury. All discounted payments will be scheduled for check issuance on the last day of the discount period. However, payments will not be made to achieve discounts unless the related goods or services have been received and accepted except as specifically provided by contract or other agreement executed pursuant to law.

12. DISCOUNT FORMULA

Use the following formula as a basis to compare the effective annual yield resulting from taking the discount and the percentage rate relative to the value of funds to Treasury:

DISCOUNT FORMULA

$$\frac{\text{Discount \%}}{100\% \text{ minus Discount \%}} \times \frac{\text{Days In Year}}{\text{Number of Days in Payment Period Minus Number of Days in Discount Period}}$$

= Effective Annual Interest Rate

Example for Application of Conversion Formula.

Assumption: The Treasury Rate is 9%

Discount Terms: 1/2% (.005) in 10 days, net 30 days

$$\frac{.005}{1.00 - .005} \times \frac{360}{30 - 10} = .09 \text{ or } 9\%$$

Based on this example, the offered cash discount should be taken, since the discount effective annual rate (9%) is equal to the value of funds to the Treasury, (assumed here to be 9%).

\* 13. USE OF TREASURY FEDLINE SYSTEM (WIRE TRANSFER) FOR PAYMENTS

Use of the FEDLINE for vendor payments will be made only when such use is clearly advantageous to the Government (see 1 TFRM 4-2500). Approval by the Fiscal Assistant Secretary or his/her designee must be obtained by the Comptroller before this system may be utilized for any particular class or type of payment.

\*



14. LATE PAYMENTS

Every effort will be made to make payments of SBA obligations in a timely manner. With the exception of payments involving contracts with a specified due date, disputed invoices, or late or non-receipt of goods and services, payments not accomplished within 30 days of receipt of an invoice will include an interest penalty amount and be reported to the Office of Management and Budget.

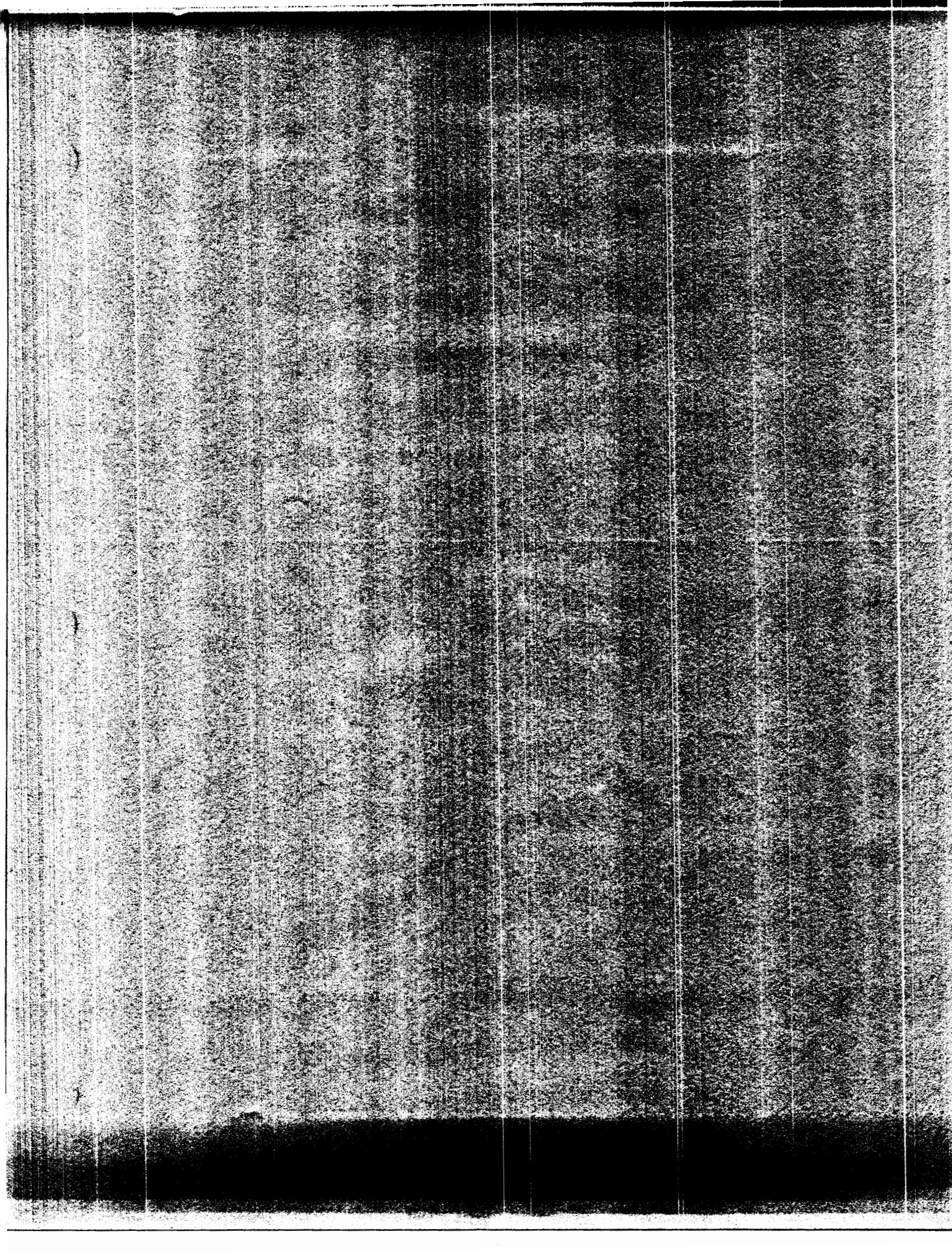
\* 15. TIMELY PAYMENTS - THE PROMPT PAYMENT ACT (P.L. 97-177), AS AMENDED

OMB Circular A-125, implementing the Prompt Payment Act (P.L. 97-177) as amended by Public Law 100-496, the "Prompt Payment Act Amendments of 1988" requires Federal agencies to pay their bills on time, to pay interest penalties and additional penalties when payments are made late and to take discounts only when payments are made within the discount period.

- a. Policy. The Prompt Payment Act, as amended, requires the Agency to make payments under contracts as prescribed in the Act and Circular A-125 not later than the due date, or if appropriate, the discount date. Payment will be based on receipt of proper invoices or progress payment requests; and acceptance of goods or services or satisfactory performance of contract terms. Discounts will be taken only when payments are made by the discount date. Interest penalties will be paid when timely payment of invoices is not made, or when discounts are taken after the discount date. Checks will be mailed and electronic fund transfers made on the payment date. The agency will pay interest penalties automatically, without the need for contractors requesting them, and will absorb interest penalty payments within funds available for the administration or operation of the program for which the penalty was incurred. Temporary unavailability of funds to make a timely payment does not relieve the agency from the obligation to pay interest penalties. For contracts awarded on or after October 1, 1989, the agency shall pay an additional penalty under specified circumstances.
- b. Standards. Agency payment practices will conform to the standards detailed in Circular A-125, as amended. These standards are incorporated in SOP's 20 16, Fiscal Examination Procedures (Washington) and 20 17, Fiscal Examination Procedures (Denver).

- c. Reporting. A consolidated agency report, certified by an SBA official with line authority for both procurement and payment processing, will be forwarded to the Office of Management and Budget (OMB) on a fiscal year basis. This report is due at OMB on November 30th following the close of the fiscal year. The report will be initiated by the Director, Office of Financial Operations and will be furnished to the Director, Office of Accounting Operations by October 31 each year. Agency reporting will conform to the standards detailed in circular A-125, as amended. These standards are incorporated in SOP's 20 16, Fiscal Examination Procedures (Washington) and 20 17, Fiscal Examination Procedures (Denver).

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19. INTEREST EARNED ON ADVANCES

All interest earned by recipient organizations on Federal funds must be remitted to SBA. SBA will promptly deposit such interest with Treasury and credit the miscellaneous receipts account -- 1499, "Miscellaneous Interest Collections Not Otherwise Classified."

20. RECOVERIES OF DISALLOWED EXPENDITURES

Immediately upon determination that an expenditure of advance funds is disallowable in accordance with the terms of the contractual arrangement, SBA will require the return of such funds as soon as possible, but under no circumstances more than 30-days from the date of notification by SBA. Except when prohibited by law, appropriate measures will be taken to ensure that no further withdrawals are made under a letter-of-credit arrangement with a recipient pending disposition of recovery action with that recipient.

SECTION F - CASH HELD OUTSIDE TREASURY

21. IMPREST FUNDS

The detailed procedures for establishing and operating imprest funds are prescribed in SOP 20 05, "General Cashier Control Procedures." Employees designated to operate imprest funds are subject to the above mentioned procedures as well as the regulations contained in the Treasury Department's "Manual of Procedures and Instructions for Cashiers Operating Under 31 U.S.C. 3321 (Formerly Executive Order No. 6166)."

- a. The Office of the Comptroller must review funds held by cashiers semiannually to ensure that such funds are commensurate with actual needs and do not exceed the maximum limitations.
- b. Audits of imprest fund accounts will be conducted by the Office of the Assistant Inspector General for Audits as frequently as necessary to protect the Government's interest.
- c. Reviews of imprest funds are conducted by regional offices and district offices as part of their management responsibilities.

SECTION G - CASH MANAGEMENT REVIEWS AND IMPROVEMENTS

22. CASH MANAGEMENT REVIEWS

The Office of the Comptroller must review the Agency's cashflows to assure that disbursements and collections are handled in the most effective manner from a cash management standpoint.

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- a. Section 8080 of the Treasury Fiscal Requirements Manual is to be used for guidance in this review. An initial cash management review is to be updated on an annual basis to reflect changes in the Agency's cashflows.
- b. The review of cash management determines that the appropriate collection or disbursement mechanism is used for each Agency cashflow. These mechanisms include letter of credit, Treasury Financial Communications System (TFCS), lockbox, Treasury General Account (TGA) automated clearinghouse (ACH-EFT) and Treasury check. The nature of each cashflow is to be examined in order to determine the appropriate collection or disbursement mechanism.

**23. CASH MANAGEMENT IMPROVEMENTS AND REPORTS**

Improvements to the Agency's cash management are to be initiated by the Office of the Comptroller. These initiatives may result from cash management reviews performed under paragraph 22, or from specific Treasury Department cash management programs. The Office of the Comptroller may require assistance from other offices within the Agency to accomplish a cash management initiative.

- a. Significant cash management initiatives are to be reported to the Treasury Department. Treasury maintains a reporting system (CASHMAN) as part of its Government Online Accounting System (GOALS) used to track agency cash management initiatives.
- b. Both the status of initiatives and interest savings to the Treasury related to the initiatives are reported on a quarterly basis. The Office of the Comptroller is responsible for quarterly reporting to Treasury under this system.

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