

U.S. Department of Transportation
Maritime Administration

MARITIME ADMINISTRATIVE ORDER

REVOKES

NO.

MANUAL OF ORDERS

See Section 9

400-10

EFFECTIVE DATE

December 21, 1981

SUBJECT

CASH MANAGEMENT

Section 1. Purpose:

This order prescribes the procedures which shall be followed by all officials and offices to assure effective cash management activities such as billings and collections, deposits, disbursements, and advances. Transactions as to which there is disagreement over the obligation or the amount are covered by Maritime Administrative Order 420-1, "Processing of Disputed Receivables and Claims."

Section 2. Definition of Terms:

The following definitions apply throughout this order:

Accounting Office - any organization which maintains and is responsible for the completeness and accuracy of portions of the system of documents, records and financial controls constituting the official accounting records of the Maritime Administration.

Certifying Officer - an individual within an accounting office responsible for attesting to the documented propriety of the expenditure and to the availability of funds in the accounts to which requested payments are to be charged, and who is legally liable when fund balances are exceeded.

Checks-Paid Technique - a payment technique by which a recipient authorizes its commercial bank to draw down a letter of credit when checks issued by the recipient for program disbursement are presented to the bank for payment.

Contracting Officer - an individual responsible for the execution and administration of contracts (including purchase orders and job orders), cooperative agreements, and grants.

Delay-of-Drawdown Technique - a payment technique by which drawdowns of a letter of credit by recipients are delayed until after the checks issued for program disbursements are forwarded to payees.

Economical Cash Discounts - offered prompt payment discount terms which exceed the currently established value of funds to the U.S. Treasury.

Float - refers to funds in the process of collection or disbursement. It is concerned with mail processing time, internal processing time, and bank clearance time.

Furnishing Office - an organizational subdivision which provides goods or services to another federal agency or to individuals or organizations outside of the U.S. Government.

Letter-of-Credit Technique - a payment technique, employed when a federal agency has, or expects to have, a continuing relationship with an individual or organization for at least one year, involving advance payments totalling at least \$120,000, which enables the recipient to withdraw cash from the U.S. Treasury concurrently with disbursements from its own account.

Program Office - an organizational subdivision assigned management responsibility for agency activities directed toward a common purpose, objective or goal.

Program Official - an individual within a program office designated as the responsible individual for a prescribed portion of the office activities.

Receiving Reports - documents which acknowledge the acceptable delivery of goods or services from a supplying individual or organization.

Section 3. General Requirements:

3.01 Existing Contracts and Agreements

Existing contracts and other formal agreements not in compliance with this order, which are subject to renegotiation and amendment, shall be amended at the first opportunity or next renegotiation to effect compliance.

3.02 Annual Review of Practices

An annual review of cash management practices shall be conducted by each accounting office administering payments and collections. Reports of these reviews will include a summary of all economical cash discounts lost during the period. Copies of planned review procedures and schedules shall be provided to the Chief, Division of Accounting Operations in Washington, DC, by the end of each calendar year. Reports of review results shall be forwarded to the Chief, Division of Accounting Operations within 30 days after completion of the review, and in no event later than March 1st of the following year.

3.03 Payment Terms

All contracts, purchase orders, and other acquisition arrangements under which goods or services are sold to or purchased from an organization or individual outside the U.S. Government shall include payment terms and provisions which, at a minimum, specify when payment is due. Arrangements for sales to organizations and individuals outside the U.S. Government also shall:

- 1 Require that payment be received no later than the due date.
- 2 Provide for payment by electronic funds transfer where applicable.
- 3 Provide for late charges for payments received after the due date unless expressly prohibited by law.

3.04 Financial Transactions with Foreign Governments, Foreign Citizens, and International Organizations

Any proposed financial transaction with a foreign government, foreign citizen or an international organization must be cleared by the Office of Financial Management before the transaction occurs. The Office of Financial Management shall assure that such transactions are carried out in compliance with Department of the Treasury policies and procedures.

3.05 Financial Transactions in Foreign Currencies

Proposed financial transactions which involve the purchase, deposit, transfer, sale or utilization of foreign currency(s) must be cleared also by the Office of Financial Management prior to accomplishment of the transaction.

Section 4. Accounts Receivable:

4.01 Policy

It is the policy of the Maritime Administration to bill debtors promptly once indebtedness is incurred in order to facilitate early collection and availability of funds.

4.02 Procedures

- 1 All billings for amounts due from individuals, organizations, and other federal agencies shall be made by the appropriate accounting office. Under no circumstances shall any other office issue a bill to a debtor for the Maritime Administration. Exception: The Maritime Administration Freedom of Information Act/Privacy Act Officer shall issue initial billings for FOIA and Privacy Act requests. However, the delinquent payment procedures in section 4.04 of this order shall apply to FOIA/Privacy Act items.
- 2 The Forms MA-4774, "Accounts Receivable-Justification for Billing," pertaining to the furnishing of special statistical data to the private sector are issued pursuant to Maritime Administrative Order 440-1, "Furnishing of Special Statistical Data to Public or Private Parties."
- 3 For reimbursable work to be performed that is not covered by Maritime Administrative Order 440-1, the furnishing office shall consult the Office of Budget before a reimbursable agreement is negotiated. The Office of Budget shall assist in developing the reimbursable agreement and shall assign a reimbursable project number to the agreement, if applicable.
 - (1) For those reimbursable agreements that were not assigned a reimbursable project number, the furnishing office, upon completion of the job, shall submit a Form MA-4774 to the appropriate accounting office (in Washington, D.C., through the Office of Budget) for the amount of the total costs. Upon receipt of the Form MA-4774, the accounting office shall issue the appropriate invoice or transfer of funds transaction.

- (2) For each reimbursable agreement that was assigned a project number, the Division of Accounting Operations shall prepare a Form MA-4774B, "Justification for Billing for Reimbursable Project Costs," for all costs not previously billed. The Form MA-4774B must include the unbilled costs as shown in the project report provided by the accounting system and the overhead as received from the Office of Budget. The Form MA-4774B is submitted to the furnishing office for approval. Upon receipt of the approved Form MA-4774B, the Division of Accounting Operations prepares and issues the appropriate billing or transfer of funds, as required.
- (3) Monthly, each Reserve Fleet shall submit a Form MA-4774A, "Detail of Reimbursable Billing (Reserve Fleet)," for each reimbursable project to which costs were charged during the month. The monthly costs reported must include the cost of materials and supplies consumed and the pro rata share of applicable items such as utilities and telephone costs. The Region accounting offices use Forms MA-4774A as the basis for transferring the allocable costs and the costs of materials and supplies consumed to the appropriate reimbursable project. The Office of Ship Operations uses Forms MA-4774A when reviewing and approving the quarterly Form MA-4774B documents for the same projects, as required in paragraph 4.02 3(2) of this order.
- 4 Billings for amounts developed from data that are fully available from debtor's accounts maintained in the Maritime Administration accounting offices, such as amounts of interest due on mortgages and notes receivable, shall be issued by the appropriate accounting office. Such billings require no action by furnishing or program offices.
- 5 Furnishing and program offices that become aware of the need to bill a government entity for any reason not covered above shall submit to the appropriate accounting office a Form MA-4774 for the amount to be billed. This would include billings for items such as refunds due the Maritime Administration for overpayment, etc.
- 6 The accounting office shall review each approved Form MA-4774 when received from the originating office. If the form is not properly approved or contains insufficient information for billing and recording purposes, it shall be returned to the originating office for completion or clarification. Billings for properly completed and approved forms shall be accomplished as required in section 4.03 and the receivable will be recorded in the agency accounting records.
- 7 For control purposes, furnishing and program offices that issue Form MA-4774 documents during a fiscal year shall sequentially number them, starting with number 001 each year, and shall advise the appropriate accounting office, at fiscal year end, of the last number issued for the fiscal year. Each control number will include as a prefix the

last two digits of the fiscal year in which the number is assigned, e.g., 81-001, 81-002, etc.

8 At the end of each fiscal year, to assure that all billings are properly included in the Maritime Administration year-end financial statements:

- (1) The final Forms MA-4774 must be received by the applicable accounting office no later than 10 calendar days after the close of the fiscal year.
- (2) The Forms MA-4774B for the last quarter of the fiscal year must be corrected as required, approved and returned to the accounting office timely, upon receipt.

4.03 Timeliness

When goods or services are furnished to individuals and organizations outside the U.S. Government, it is the responsibility of the furnishing office to promptly advise the appropriate accounting office that goods have been shipped or released, or that services have been completed. Normally, a reimbursable project number is assigned to capture these costs and the furnishing office issues a Form MA-4774 pursuant to paragraph 4.02 2 or 4.02 3(1) of this order. If the actual value of the goods or services cannot be determined on the day notified that the job has been completed, and the estimated value is less than \$50,000, the bill will be issued within one work day after receipt of the Form MA-4774 containing the actual value. If the estimated value is \$50,000 or more, a partial bill, identified as such, will be issued for the amount of the partial Form MA-4774, or for 75% of the estimated value, whichever is greater. The billing will include a statement that the final bill will be issued when the actual value is determined. Partial bills also will be issued when the estimated value is less than \$50,000 and a partial billing is determined to be cost effective by the Office of Financial Management. Each accounting office shall assure that each invoice is effected within one work day after determination that issuance of an invoice is appropriate. The payment due date will be not more than 30 days from the date of the invoice.

4.04 Late Payments

Payment of amounts owed the Maritime Administration by individuals and organizations are expected to be made in accordance with the terms of the arrangement for payment stated in the contract, other formal agreement, or the notification of indebtedness. If payment is overdue, a late charge will be applied and collected at a percentage rate based on the current value of funds to the U.S. Treasury. At the beginning of each quarter, the Chief, Division of Accounting Operations shall publish the percentage rate for that quarter, as promulgated by the Department of the Treasury. The initial late charge applied to an overdue payment will remain in effect until payment is received or a different rate is prescribed for a scheduled payment of the delinquent account. Charges for late payments will be applied to the overdue payment for each 30-day period, or part thereof, based on the principal outstanding. In the case of partial late payments, the amount received will first be applied to the late charges on the principal and then to the principal, unless a different rule is

prescribed by statute or regulation. Billings also must note that the application of late charges does not relieve the debtor of the obligation to pay.

- 1 Initial notification of amounts due the Maritime Administration not covered by contracts, or other formal agreements, will inform the debtor of the basis for the indebtedness, the date by which payment is due and the requirement concerning late charges for payments received after the due date.
- 2 Agreements with debtors to pay overdue amounts over a period of time shall be reviewed on an individual basis by the Chief, Division of Accounting Operations before approval. Due consideration will be given to the nature of the indebtedness and the effect of the proposed repayment terms on the Maritime Administration programs and operations. Late charges will be applied to these arrangements consistent with the procedures outlined above.
- 3 Late charges also will be applied to overdue amounts owed by Maritime Administration employees. Late charges will be applied consistent with the procedures outlined above, except that failure by employees to pay within 60 days of the invoice date or to arrange for repayment over a period of time will result in the Chief, Division of Accounting Operations automatically withholding amounts owed from the employee's salary payments.
- 4 The Chief, Division of Accounting Operations shall initiate follow-up actions to collect delinquent accounts receivable in the following stages:
 - (1) On the date an account becomes delinquent, a first notice will be forwarded to the debtor advising of the delinquency, the late charges that will be levied on the late payment and the percentage rate to be initially applied.
 - (2) If payment is not received within 20 days after the first delinquency notice is mailed, a second notice will be forwarded to the debtor requesting payment, advising of the percentage rate being applied and stating the accrued late charges to date.
 - (3) If payment is not received within 30 days after the second delinquency notice is mailed, the debtor shall be advised of additional late charges on the account and the referral of the collection action to the Office of the Chief Counsel. Notice also shall be given to the debtor that the delinquency may be reported to the local commercial credit bureau and, if applicable, the debtor may be added to the list of contractors indebted to the United States which is circulated to all federal agencies. The debtor also shall be informed that late charges will continue to accrue until the indebtedness is settled. Concurrently, the Chief, Division of Accounting Operations shall forward copies of all documents related to the indebtedness to the Office of the Chief Counsel for appropriate action.

- 5 When an accounting office determines that the administrative cost of collecting late charges exceeds the amount of such charges, the charges may be waived by the Director, Office of Financial Management, Region Finance Officer, or the Head, Department of Budget and Accounts at the U.S. Merchant Marine Academy, as applicable. Records of all waivers shall be maintained within the accounting office and summarized quarterly to the Chief, Division of Accounting Operations.
- 6 The total amount collected from debtors as late payment charges shall be credited to miscellaneous receipt account 691499, "Miscellaneous Interest Collections Not Otherwise Classified."

4.05 Use of the Treasury Financial Communications System

Payments of \$10,000 or more, whether periodic or one-time, should be accomplished if at all possible through the use of the Treasury Financial Communications System. Under this system, debtors are instructed to have their banks wire funds to the account of the U.S. Treasury at the Federal Reserve Bank of New York. When this system is used, the Chief, Division of Accounting Operations shall provide the required administrative data to assure proper credit.

4.06 Deposits

- 1 In addition to collecting all owed amounts in a timely manner, it is important that such receipts be deposited promptly to the general account of the U.S. Treasury. To expedite the flow of funds, payments received by the Office of Financial Management, Region Finance Offices and the U.S. Merchant Marine Academy's Department of Budget and Accounts shall be separated from accompanying accounting documents upon receipt and deposited consistent with the following:
 - (1) Receipts of \$1,000 or more shall be deposited on a daily basis.
 - (2) Receipts of less than \$1,000 may be accumulated and deposited when the total reaches \$1,000. However, deposits shall be made no less frequently than weekly regardless of the amount accumulated.
- 2 In those circumstances where funds inadvertently are received by other than the offices listed above, each office receiving funds immediately shall deliver the funds to the appropriate accounting office.

Section 5. Cash Advances:

5.01 General

- 1 Maritime Administration program offices shall monitor the cash management practices of recipient individuals and organizations to ensure that:
 - (1) Federal funds are not maintained in excess of immediate disbursing needs.

- (2) Excess balances are promptly returned to the Maritime Administration.
 - (3) Except where contrary to law, interest earned on federal funds by recipient individuals and organizations are paid over promptly to the Maritime Administration for deposit in the U.S. Treasury.
- 2 Program offices also shall advise the Office of Financial Management of individuals and organizations unwilling to comply with these and other U.S. Treasury regulations, so that advance funding arrangements can be terminated.

5.02 Timeliness of Advances

All contracts and other formal agreements shall provide that advance payments will only be made at times and in amounts necessary to meet immediate disbursing needs. In those cases where large amounts of funds are disbursed on a daily basis under the letter-of-credit technique, grantees not under a checks-paid technique will give consideration to the delay-of-drawdown technique when submitting payment vouchers. Under this technique, consideration is given to float on checks written by the grantee prior to the submission of a payment voucher to cover these disbursements. In monitoring the practices of recipient individuals and organizations, evaluations will be based on cash payments and not on accrued liabilities.

5.03 Recoveries of Disallowed Expenditures

Immediately upon determining that an expenditure of advance funds is disallowable in accordance with the terms of a contract or other formal agreement, the Chief, Division of Accounting Operations shall require return of such funds as soon as possible, but under no circumstances more than 30 days from the date notification is mailed. Except when prohibited by law, the Chief, Division of Accounting Operations shall take appropriate measures to ensure that no further Maritime Administration funds are received by the recipient individual or organization pending disposition of the recovery action for the disallowed expenditures.

Section 6. Accounts Payable:

6.01 Policy

The policy of the Maritime Administration is to pay its bills in a timely manner and, so far as possible, within the time required to take advantage of economical cash discounts. With the exception of payments involving disputed invoices, late delivery, or non-receipt of goods or services, invoices which are authorized for payment should be paid within 30 days after the invoice is received unless otherwise provided in the contract, other formal agreement, or invoice. This requires that each employee and program office involved in the processing of vouchers and supporting documents, including receiving reports, shall provide prompt notification to the appropriate accounting office so that

these terms can be met. Payments not accomplished within the terms outlined above will be considered late payments, which must be summarized annually and reported to the Department of the Treasury.

6.02 Authorized Certifying Officers

- 1 The Director, Office of Financial Management, the Region Directors, and the Superintendent of the U.S. Merchant Marine Academy shall designate employees to act as authorized certifying officers and shall cause their authority to be amended or terminated, as may be necessary to comply with Treasury Department Circular 680, as amended (3 GAO 54.6), and the provisions of Public Law 92-310 (31 U.S.C. 1201). This designation shall be accomplished by completing an original and two copies of Form SF-210 "Signature Card for Certifying Officer," forwarding the original to the appropriate U.S. Treasury disbursing officer, and sending one copy to the appropriate personnel officer for inclusion in the employee's official personnel folder. The remaining copy shall be retained in the accounting office files.
- 2 The head of the applicable accounting office shall instruct each designee of the responsibilities of a certifying officer, as set forth in 3 GAO 54 and as described below:
 - (1) The certifying officer shall assure the propriety and accuracy of Forms SF-1166, "Voucher and Schedule of Payments," before they are forwarded to the U.S. Treasury disbursing office for payment.
 - (2) The certifying officer shall make additional examinations of the voucher as deemed appropriate to carry out the responsibilities assigned by law if doubt exists as to the legality of the proposed payment. In these cases, if the payment is for \$25 or less, the Director, Office of Financial Management may be consulted to determine the propriety of payment. A copy of the Director's decision should be attached to the voucher in the accounting office files as conclusive evidence to the General Accounting Office that the payment was properly discharged. In cases involving over \$25, if the doubt persists after additional examination, an advance decision from the Comptroller General of the United States shall be obtained before making payment.
 - (3) The certifying officer shall act as the responsible official to approve Standard Forms 1151, "Non-Expenditure Transfer Authorization."

6.03 Invoice (Voucher) Processing Procedures

- 1 An accounting office mailing address shall be used for all vendor invoices (vouchers). These offices must establish the proper accounting controls for the vouchers when received. Any Maritime Administration

office other than the appropriate accounting office receiving vouchers directly from individuals and organizations shall forward them to the accounting office immediately upon receipt.

- 2 If there is insufficient evidence that the goods or services included in a voucher were received as ordered, the accounting office shall forward the voucher (by Form MA-37, "Document Transmittal," or other suitable document) to the responsible program office for administrative verification and approval. Administrative approvals of vouchers will be accepted only from officials designated to the appropriate accounting office by contracting officers, Associate Administrators, Office Directors, Region Directors, or the Superintendent of the U.S. Merchant Marine Academy.
- 3 Prior to administratively approving a voucher, the designated authorizing official shall verify that:
 - (1) The goods or services were ordered by an authorized official as evidenced by an appropriate document such as purchase order, contract, job order, or other authorization; and
 - (2) The goods or services have been delivered and accepted in terms of quality, quantity and price, and in accordance with the provisions of the appropriate document, as evidenced by receiving and inspection reports or other supporting documents.
- 4 If the voucher is not correct, the authorizing official shall either return it to the payee for correction or cancellation, or indicate on the voucher transmittal document the exception(s) taken and the amount of adjustment necessary. If the voucher is returned to the payee, a copy of the transmittal letter shall be forwarded to the appropriate accounting office.
- 5 Signature of the designated authorizing official on the original voucher transmittal sheet shall indicate administrative approval for payment.
- 6 After administrative approval, the voucher shall be sent to the appropriate accounting office for payment. Vouchers involving research and development work shall be routed through the Division of Accounting Operations to the Associate Administrator for Research and Development (or designee) for approval, unless other formal arrangements are made by that Associate Administrator. After approving a voucher, the Associate Administrator for Research and Development (or designee) shall send the voucher to the Office of Administrative Services and Procurement for final approval by the responsible contracting officer. The voucher then will be returned to the Division of Accounting Operations for payment.
- 7 If an administratively approved voucher does not contain sufficient information or support for payment and recording purposes, it shall be returned by the accounting office to the approving official for completion or clarification.

- 8 The accounting office shall schedule all vouchers for payment on Standard Form 1166, "Voucher and Schedule of Payments," and shall adopt procedures necessary to control and record all vouchers payable and paid, and to minimize lost economical discounts.

6.04 Cash Discounts

Cash discounts offered will be taken only when the discount terms yield an effective annual interest rate equivalent to, or greater than, the percentage rate of the current value of funds to the U.S. Treasury. At the beginning of each quarter, the Chief, Division of Accounting Operations shall publish the percentage rate (current value of funds to the U.S. Treasury) for that quarter, as promulgated by the Department of the Treasury. Computation of the effective annual interest rate for the discount terms will be based on the date the invoice is received unless otherwise provided in the contract, other formal agreement, or invoice. Effective annual interest rates are calculated as follows:

$$\frac{\text{Discount \%}}{100\% \text{ Discount}} \times \frac{\text{Days in year (360)}}{\text{Days to Due Date - Discount Period (Days)}} = \text{Effective Annual Rate}$$

For example: Discount terms of $\frac{1}{2}\%$ in 10 days, = $\frac{.005}{1.00-.005} \times \frac{360}{30-10} = 9\%$
net 30 days

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 goods or services have been received, except as specifically provided by contract or other formal agreement executed pursuant to law.

6.05 Use of the Treasury Financial Communications System

The Maritime Administration will use the Treasury Financial Communications System for payments to vendors only when such use is deemed advantageous to the Government by the Director, Office of Financial Management and approval for a particular class or type of payment is obtained from the Treasury Fiscal Assistant Secretary.

Section 7. Processing Prepayments Made to MARAD by Debtors:

Whenever a debtor proposes to prepay a debt to the Maritime Administration, the Director, Office of Financial Management shall determine the amount to be prepaid and shall advise the cognizant official thereof.

Section 8. Exceptions and Inquiries:

8.01 Exceptions to Procedures Contained in This Order

Requests for one-time or continuing exceptions to the procedures outlined in this order must be obtained in writing from the Director, Office of Financial Management.

8.02 Additional Procedures

As conditions warrant, additional procedural guidance for receipts and disbursements of individual Maritime Administration programs may be issued. For example, specific procedural guidance related to construction-differential subsidy payments is contained in Maritime Administrative Order 510-2, "Payments on Account of Construction-Differential Subsidy." Such issuances will supplement the procedures in this order.

8.03 Inquiries

Inquiries concerning the procedures contained in this order should be directed to the Chief, Division of Accounting Operations in Washington, D.C.

Section 9. Effect on Other Issuances:

This order supersedes Maritime Administrative Orders 400-2, "Accounts Receivable - Justification for Billing," dated 4/26/77; 400-6, "Issuance and Withdrawal of Suspend Payment Orders and Setoff Payment Orders," dated 4/1/74; and 400-7, "Vendors' Invoices and Public Vouchers," dated 6/3/74 and amendment 2 thereto, dated 9/15/76. It also supersedes MARITIME BULLETIN NO. 440-2-80 (formerly 80-70), dated 8/21/80, Subject: "Cash Management."



H. E. SHEAR
Maritime Administrator