CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

CHAPTER 2. BILLINGS AND COLLECTIONS

Section 1.0 General

This chapter provides a summary of the policies and procedures governing the Department of Commerce's organization unit's billings and collection practices. It emphasizes the vital elements of cash management, which are to bill promptly for goods and services provided by the Federal Government, and provide for rapid collection of amounts due. Through these actions, the amount of cash needed to conduct Government business is lessened, and need for Federal borrowing is reduced.

Collections from Federal entities should be through non-expenditure transactions whenever possible. Usually these transactions will be made using the Intragovernmental Payment and Collection (IPAC) System. When checks or Electronic Funds Transfer (EFT) payments are received, these procedures are to be applied.

Collections, whenever possible, shall be accomplished using EFT methods. Additionally, billings should conform to Electronic Data Interchange (EDI) standards and formats.

For additional procedures to be followed for grants, see the Department's Grants Manual, Chapter 14, Credit and Debt Management.

Section 2.0 Policy

It is the policy of the Department that all financial managers establish procedures to bill and collect amounts due as quickly and as efficiently as possible. To achieve this objective, all organization units responsible for preparing invoices for goods or services to those outside the Federal Government shall ensure that each invoice is prepared within one-working day following the day the billing office is advised that the goods have been shipped or released, or services rendered. In the event the one-day billing rule is not cost effective, billing must be prepared no later than five-working days from the date the amount is recorded as an accounts receivable.

Furthermore, it is the Department's policy that each organization unit establishes and maintains effective internal control procedures consistent with the Government Accountability Office's (GAO's) and Treasury's requirements. (See Chapter 6 of the Accounting Principles and Standards Handbook for details on internal controls.)

Collection procedures established by organization units should ensure that:

a. The collection and deposit of funds will be made timely and in a way that is most advantageous to the Federal Government, with collection by EFT through the Automated Clearing House (ACH) being the preferred method of receiving funds;

b. A reconciliation of all deposits will be performed between the Treasury's records and those maintained by each organization unit's accounting office at the close of each month, if not more often. The future plan for Government wide accounting, through the Government wide Accounting and Reporting Modernization Project, is to capture program-level spending or collections on a real-time or near real-time basis. In order to accomplish this, agencies must classify transactions to the proper Treasury Account Symbol (TAS) at the time the transaction is executed or the point of origin (for example, when the collections are made); and

c. If it is not immediately known which appropriation or deposit account a particular collection is to be recorded against, that collection must nonetheless be deposited in the miscellaneous receipt account 13x3220.

Section 3.0 Authority

The following laws and pronouncements govern billing and collection activities:

a. Contracts Disputes Act of 1978 (41 U.S.C. Sec. 601-613 (P.L. 95-563));

b. Federal Claims Collection Act of 1966 (31 U.S.C. Sec. 3711, as amended);

c. Debt Collection Act of 1982 (31 U.S.C. 3716 (P.L. 97-365));

d. Federal Claims Collection Standards (4 CFR 101-105);

e. Cash Management Improvement Act of 1990 (P.L. 101-453), as amended by the Cash Management Improvement Act Amendments of 1992 (P.L. 102-589);

f. Treasury Financial Manual, Volume 1, Part 6-8000;

g. OMB Circular A-129 Revised, Policies for Federal Credit Programs and Non-tax Receivables;

h. Deficit Reduction Act of 1984 (P.L. 98-369);

i. Debt Collections Improvement Act of 1996 (P.L. 104-134);

j. Federal Participation in the Automated Clearing House (31 CFR Part 210);

k. Department of Commerce Credit and Debt Management Operating Standards and Procedures Handbook;

l. Title 7 "Fiscal Guidance," GAO Policies and Procedures Manual; and

m. Treasury Financial Manual, Volume I, Bulletin No. 2011-09: Agency No-Cash or No-Check Policies.

Section 4.0 Responsibilities

.01 Responsibilities: Billing

a. Organization unit finance officers are responsible for cash management operations and for ensuring that the cash management policies and procedure in this Handbook is being followed. Generally, this function may be formally re-delegated to an organization unit cash management officer.

b. The Director for the Office of Financial Management (OFM) shall coordinate all matters on cash management within the Department. The Director will serve as liaison with Treasury on cash management matters and provides guidance to the organization units on cash management issues.

.02 Responsibilities: Collections

a. The finance officer is the sole designee within each organization unit authorized to collect and deposit funds to the credit of the Treasury. All remittances are to be sent directly to the finance officer unless the head of that office has made an arrangement(s) with another organization unit of the Federal agency to handle the collections. Any such arrangement(s) must follow the provisions of Section 7.0 of Chapter 3 of this Handbook on the frequency of deposits.

b. If an organization unit accounting office determines that greater efficiency, economy, or reduction in the elapsed time for deposits can be achieved by using lockboxes, Treasury's Credit Card Network, ACH, or wire fund transfers (including the Fedwire Deposit System), organization units must obtain approval for the change from Treasury pursuant to I TFM 6.

A copy of an organization unit's request for a collection system change must be submitted to the Director, OFM.

c. An organization unit accounting may decide not to accept payments made in cash or by check. Before adopting a no-cash or a no-check policy, an agency should make a determination that the policy will be more beneficial than not to the operation of the program generating the payments. Factors that an agency should take into account when making its determination include:

- The organization unit's statutory and regulatory authorities;
- Costs and benefits associated with implementing the policy;
- Programmatic or economic reasons for adopting the policy;
- Efficiencies to be gained by adopting the policy; and
- The anticipated impact of the policy on the organization unit's constituents.

If, after examining these factors, an agency determines that it is more beneficial than not to adopt a no-cash or a no-check policy, FMS considers such a decision to be consistent with Treasury's move to an all-electronic Treasury as well as the purposes of federal cash-management statutes. For more information, see Treasury Financial Manual, Volume I, Bulletin No. 2011-09: Agency No-Cash or No-Check Policies (TFM Volume I).

Section 5.0 Billings

.01 Payment Standards

Contracts, agreements (including financial assistance agreements), or other formal arrangements under which goods or services (or financial assistance) are provided to an individual or organization outside the Federal Government, will include payment terms and provisions which at a minimum:

a. Specify when payment will be due, i.e., due date or the manner for determining the due date based upon delivery of goods or completion of service;

b. Require that payment be received no later than the due date;

c. Provide for payment by EFT, including sufficient banking information to enable the EFT payment to be made;

d. Provide for late charges in the form of interest, penalties, and administrative charges for payments received after the due date;

e. State that the amount invoiced is the net amount due; and

f. Specify the EFT banking address, or the finance or accounting office (or lockbox if appropriate) to which the remittance is to be sent.

The following is a sample clause, which may be used on any contract, agreement, or formal sale arrangement:

> "Payment must be received within thirty calendar days from the date of the invoice; otherwise, it will be considered a late payment. For such late payments, charges in the form of the interest penalty and administrative charges ($25.00) will be made. Interest will accrue on the unpaid amount at a percentage rate based on the current value of funds to the United States Treasury for each thirty-day period or portion thereof that the payment is overdue. Payments made by ACH or wire will be accepted and credited on the date received by the designated collection officer."

Organization unit finance or accounting offices receiving a copy of a contract or sales agreement which does not contain the required provisions, should write the official who executed the contract on behalf of the organization unit and request that it be modified to correct the defect(s) as soon as possible. For financial assistance agreements, the administrative office charged with reviewing agreements with non-Federal entities will write to the official who executed the agreement on behalf of the organization unit and request that it be modified (if possible) when the agreement does not contain the required provisions.

.02 Billing Due Date

Collections under an invoice are normally made within thirty days from the date of the invoice. This assumes satisfactory completion of the work or service and timely delivery. If the customer contests the adequacy of the work or services and the performing organization unit agrees to correct the defect, the billing date will be extended until satisfactory performance is achieved. If the supplies have been delayed in shipment and the customer refuses to make payment until the supplies have been received, the performing organization unit will determine whether an extension is justified. The performing organization unit will advise the billing office when any extension of the normal due date is warranted. In no event will the due date be extended beyond 15 days following receipt of the supplies from a customer located in the contiguous 48 States.

The due date may be extended to 45 days following delivery to customers located outside the 48 contiguous States.

a. Actual Value Determinable

When the actual value of the goods and services can be determined, the due date will not be more than 30 days from the date of the invoice.

b. Actual Value Not Determinable

If the actual value of the goods or services cannot be determined on the day the invoice is scheduled for preparation, and the estimated value is less than $50,000, billing will be performed within one working day after the actual value of goods or services is determined. If the actual value 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 performed for not less than 75 percent of the estimated value. A statement that the final billing will be completed when the actual value is determined will accompany the billing. Partial billing will also be performed when the estimated value is less than $50,000 and is cost effective.

.03 Billing and Collection of Overdue Amounts

See Chapter 9 of the Department of Commerce Credit and Debt Management Operating and Standard Procedures Handbook for collection of delinquent debts.

.04 Recoveries of Advances

a. Grant Advances

If funds are held in excess of immediate disbursing needs, the grantee or other recipient should be required to refund the money promptly and process requests for funds only when needed. Prompt refunding may be waived when the recipient will disburse the excess within 7 days or when the excess is less than $10,000 and such excess will be disbursed within 30 days. Recoveries of Federal cash shall be deposited to the appropriation or fund initially charged with the advance.

b. Disallowed Expenditures

When an organization unit determines that a grantee or other recipient has used some of the funds advanced for purposes, which are not allowable under the grant or other financial agreement, the organization unit will request an immediate refund. The notification should state that the refund is to be received no later than 30 days from the date of the notification. A copy of the notification will be provided immediately to the finance and accounting offices serving the organization unit. Unless prohibited by law, no further advances will be made pending recovery of any disallowed expenditures.

c. Interest Earned from Advances

Unless prohibited by the Cash Management Improvement Act of 1990, or specifically prohibited by any other law, the finance and accounting office should determine from reports submitted by the grant or financial assistance recipient if interest has been credited to the recipient's account for balances derived from cash advances. The finance officer shall require the recipient to remit to the organization unit any interest earned on cash advances. Interest collections shall be deposited to the Treasury receipt account number 1435, "General Fund Proprietary Interest, Not Otherwise Classified."

d. Travel Advances

Requirements on the authorization and liquidation of travel advances are contained in the Department of Commerce Travel Handbook, Part C301.2-10 and C301.51-200, respectively. The amount of the advance will be based on the character and duration of the travel. The advance must also be reasonable under the circumstances. Under normal circumstances involving domestic travel, cash advances to employees should be limited to amounts established in the Department of Commerce Travel Handbook. Travelers are to submit travel vouchers within 5 days after completion of travel and refund any outstanding advance at that time unless another trip will be made within 30 days. In any case, the advance should be returned immediately to the servicing payment center if no need exists. The finance officer or administrative officer will review outstanding travel advances each month to identify those, which have been outstanding for 30 days or longer. Action will be taken to obtain prompt settlement unless the employee is in a travel status. Employees maintaining travel advances, which are determined as excessive, will receive demand letters. Unaccounted for or unpaid excessive amounts will be deducted from salary checks and an administrative charge of fifteen dollars ($15.00) will be charged to the employee.

To minimize the need of cash advances, employees scheduled for official travel should use their contractor-issued Government charge card or obtain traveler checks at their nearest impress fund (if available).

.05 User Charge Billings

The general policy of the Department is to make reasonable and equitable charges for goods or services rendered to the public, consistent with program and legislative requirements.

User charges will be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided in advance to allow reimbursable services.

See Chapter 11 of the Accounting Principles and Standards Handbook for the Department's pricing policy governing user fees billed to customers.

Section 6.0 Charges for Late Payments

When a remittance is received after the due date, interest will be applied at a rate based on the current value of funds to the Treasury, unless waived under the Department credit and debt management regulations. Also, delinquent debts owed by persons or organizations will be assessed an administrative charge to cover the costs of processing and handling delinquent claims, and assessed a penalty charge not to exceed six percent (6%) per year for failure to pay any portion of a debt more than 90 days past due. See Chapter 8 of the Department's Credit and Debt Management Operating Standards and Procedures Handbook for the appropriate application of late charges.

.01 Effects of Contracts and Other Arrangements

Payment of amounts owed by businesses and individuals are expected to be made under the terms stated in the contract, agreement, or notification of indebtedness.

a. When Formal Arrangements Exist

Except when prohibited by law, all organization units will provide notification of the application of charges for late payments in all contracts, agreements, or other formal payment arrangements.

b. When Formal Arrangements Do Not Exist

Initial notification of amounts due the organization unit, which are not covered by contracts, agreements, or other formal payment arrangements, will inform the debtor of the basis for the indebtedness, the payment date (due date), and the requirement on charges for payments received late.

.02 Department of the Treasury Interest Rate

The interest rate to be charged on late payments from the public will be the Treasury current value of funds rate. This rate, which is calculated by Treasury, is subject to quarterly revisions. Revised rates are published in the Federal Register each year by October 31, to become effective January 1. This rate is also published in a Treasury Financial Manual Bulletin. The current value of funds rate may be obtained at the following website: Treasury Current Value of Funds Rate.

a. When Application is Required

Interest charges based on the current value of funds rate will be applied to the overdue payment for each 30 day period or any portion thereof, unless a different rule is prescribed by statute or regulation. In the cases of partial late payments, the amount received will first be applied to the accrued interest and then to principal. The application of interest does not relieve the debtor from paying when due, nor does it relieve organization units of their responsibilities to take measures to collect debts under the debt collection procedures cited in Chapter 9 of the Department's Credit and Debt Management Operating Standards and Procedures Handbook.

b. Exception to Application

When a customer has paid the basic invoice, but not interest, the organization unit's billing office should decide whether it is economical to waive the interest in view of the collection costs, which may be incurred. Questions on the propriety of waiving interest should be referred to the Director, OFM. For guidance on when the amount of administrative costs does not warrant assessing a late charge, see Section 6.04 of this chapter.

.03 Authorized Scheduled Payment of Delinquent Accounts

Organization units should collect overdue amounts in one lump sum; however, if the debtor is financially unable to pay in one lump sum, the organization unit may accept regular installment payments. Such repayments should be sufficient in size and frequency as to liquidate the debt (except specified mortgages) within three years. Agreements should state that administrative charges and penalties would be assessed on delinquent payments as provided in I TFM 6.

For further guidance on when installment repayments may be warranted, see Chapter 10 of the Department's Credit and Debt Management Operating Standards and Procedures Handbook.

.04 Criteria for Waiving Charges

When an organization unit determines that the administrative cost of collecting late charges exceeds the amount of the charges, the imposition of late charges may be waived. However, the criteria for such determination must be reflected in keeping with the Department's debt management regulations and documented in the audit trail for the particular transaction. As guidance, the imposition of a late charge may be waived when the administrative costs of billing and collecting a late charge exceed the charge. Within the Department, these administrative costs are determined to be ($25.00) dollars.

Organization units of the Department may also waive the imposition of late charges when it is determined that the delivery of the supplies or services was delayed through no fault of the customer, and the customer did not have at least 15 working days following the date of the delivery to make payment. In the case of a delivery outside the contiguous 48 States, the period for waiving the imposition of a late charge may be extended to 45 calendar days following delivery.

.05 Deposits of Late Charges

Late charge collections will be promptly deposited for credit to the Treasury General Account unless statutory authority exists to the contrary.

.06 Effects on Loans

Unless contrary to statute, organization units authorized to make loans will include in loan agreements provisions for imposing late charges. Late charges will be imposed when the borrower is delinquent under the terms of the loan agreement as specified in Section 6.0 of this chapter. When an organization unit has the authority to modify or extend the period for repayment of a delinquent borrower, late charges should be applied to the delinquent amounts until the total amount due has been recouped. The rate for the interest charge should be equal to the current borrowing rate incurred by Treasury for an instrument of approximately the same duration as the repayment arrangement made, unless a different rate is required by statute.

Section 7.0 Collections

.01 Timing

Good cash management involves efficient and timely collection of amounts owed the Government. To achieve this collection goal, Treasury has established the following requirements (31 CFR 206):

a. Organization units will achieve same day deposit of funds. Where same day deposit is not cost-effective or possible, next day deposit of funds must be achieved. Organization units will also deposit Treasury checks received from other Federal agencies on the same day as received consistent with all other deposit time frame requirements.

b. Organization units will make deposits at a time of the day before the depositary's specified cutoff time, but as late as possible to maximize daily deposit amounts.

c. Organization units may make multiple deposits when cost beneficial to the Government.

d. Exceptions to the above policies are as follows:

   1. Collections of less than $ 5,000 may be accumulated and deposited when the total reaches $ 5,000. However, in no case will deposits be made less frequently than weekly; and

2. The mailing of deposits to depositories (including Federal Reserve Banks or financial institutions) may be used, if approved by Treasury's Financial Management Service, when all other methods of deposit cannot be cost-justified or no other method of deposit is available. In these cases, the deposit time frame requirements apply to timely mailing of deposits.

02 Methods of Collections and Collections Mechanisms

Each organization unit is to establish procedures consistent with GAO requirements to receive funds for credit to the account of the Treasury, and to account internally for those funds. Also, organization units are to be aware of and follow Treasury's procedures for making deposits into the banking system, receiving public funds into the banking system of monies owed the Government, and the transfer of funds between agencies. All funds are to be collected by EFT when cost-effective, practicable, and consistent with current statutory authority. EFT mechanisms may include ACH, credit card or debit card, or Fedwire.

New agency collections mechanisms must be approved by FMS. Agencies should generally consider mechanisms in the following order of preference:

a. Pay.gov, including, Automated Clearing House (ACH)

b. Fedwire Deposit System (FDS) (deposits requiring same-day settlement);

c. Plastic Card Collection Network (PCCN);

d. Treasury's Automated Lockbox Network;

e. Offset Programs; and

f. Treasury's General Account.

.03 Treasury Central Accounting

Treasury has three types of receipt accounts:

a. General funds;

b. Special funds; and

c. Trust funds.

Of these three, the general and trust fund accounts are primary to the cash inflow considerations at the Department. The general fund account has three major classes:

a. Taxes;

b. Custom duties; and

c. Miscellaneous receipts.

Of the three, miscellaneous receipts, is the only one that applies to the Department. In short, all funds collected at the Department generally will be deposited into one of the line item accounts unless statute provides to the contrary (i.e., deposit in a special or trust fund).

Collections shall be recorded in accordance with the U.S. Standard General Ledger at the transaction level

04 Reporting: Treasury

a. Monthly

The principal means of reporting disbursements and/or collections is via the monthly SF 224, "Statement of Transactions." The features of this report are as follows:

1. Title: SF 224, "Statement of Transactions" (Classified According to Appropriation, Fund, and Receipt Account, and Related Control Totals).

2. Purpose: The SF 224 provides Treasury with a monthly statement of the payments and collections of agencies for which Treasury disburses, classified by appropriation, fund, and receipt accounts. (Payments are reported based on vouchers paid by Treasury disbursing centers; collections are reported based on monies received by agencies for deposit, whether deposited or not.) The SF 224 is the basis for Treasury's monthly reports to Congress and the public on Federal revenue by source and Federal expenditure by appropriation or fund account.

3. Preparation: Agency accounting offices prepare SF 224s for each Treasury assigned Agency Location Code (ALC).

4. Submission: The agency transmits the SF 224 data electronically via the Government On-Line Accounting Link System (GOALS) to Treasury's Financial Reports Branch. A signed copy of statement is kept by the organization unit for use by GAO in their on-site audit. Organization units reporting to Treasury will follow reporting procedures established by the Director for Financial Management.

5. Frequency: Monthly--SF 224s should be transmitted electronically, via GOALS II, to Treasury no later than the third working day of the month following the month for which information was reported.

6. Rules and Regulations: Rules and regulations on SF 224 reporting can be found in 31 U.S.C. Sec. 3513, Treasury Department Circular 945, and I TFM 2-3300.

.05 Reporting: Internal

For requirements on internal debt management reporting by organization units see Chapter 11 of DOC's Credit and Debt Management Operating Standards and Procedures Handbook.