

REVOKES

NO.

340-2

MANUAL OF ORDERS

EFFECTIVE DATE

October 7, 1974

SUBJECT

SHIP'S SERVICE ACTIVITY
UNITED STATES MERCHANT MARINE ACADEMY

Section 1. Purpose:

This order establishes policies and provides guidelines with respect to the establishment, maintenance, and operation of the Ship's Service Activity, a Non-appropriated Fund Activity, at the United States Merchant Marine Academy (USMMA), Kings Point, New York.

Section 2. Authority:

Sec. 216, Merchant Marine Act, 1936, as amended (46 U.S.C. § 1126), and 46 CFR Part 310, Sec. 310.29 - Ship's Service Activities, as amended in 38 FR 11147, dated May 8, 1973. The cited authorities enable the establishment of Ship's Service Activities for the benefit of authorized personnel on Merchant Marine Training Ships and at the training stations, including the USMMA.

Section 3. Establishment, Maintenance and Operation as a Non-appropriated Fund Activity:

There is established at the USMMA, at Kings Point, New York, a Ship's Service Activity for the purpose of making available to authorized patrons, merchandise and services of necessity and convenience not ordinarily furnished by the Academy. The Ship's Service Activity is an instrumentality of the United States, created, maintained, administered and operated pursuant to the authority cited in Section 2 and other provisions of this order to provide authorized services and merchandise at uniformly low prices consistent with reasonable profits, to support and enhance the welfare, recreational and morale-building programs of the Academy. The Ship's Service Activity at the USMMA is a revenue-producing activity, financed by non-appropriated funds, established for the purpose of administering money, not appropriated by Congress, for the benefit of the Midshipmen, and is operated solely from such funds. As such, it is not incorporated under the laws of any State of the United States or the District of Columbia.

Section 4. Organization:

4.01 The Superintendent of the USMMA (hereinafter referred to as the Superintendent) is responsible for supervising the operation and administration of the Ship's Service Activity as a non-appropriated fund activity, and for determining policies relative thereto, in conformance with the provisions of this order.

4.02 The responsibility of the Superintendent for the operation of the Ship's Service Activity may be redelegated. The responsibilities for

day-to-day operation of the Activity shall be exercised through personnel designated as Manager of one or more phases of the Ship's Service Activity. The Manager(s) (hereinafter referred to as "the Manager") and all employees of the Ship's Service Activity shall be paid from non-appropriated funds.

4.03 In carrying out these responsibilities, the Superintendent or his delegatee shall coordinate and/or clear all administrative management matters or questions, not otherwise covered by this order, with the appropriate staff offices of the Maritime Administration, in accordance with the functional responsibilities and authorities set forth in the Manual of Orders.

Section 5. Functions and Responsibilities of the Manager:

5.01 The Manager of the Ship's Service Activity shall be responsible for the efficient operation and management of the Ship's Service Activity in accordance with this order and duly authorized technical procedures established pursuant to these regulations.

5.02 In addition, the Manager shall be responsible for the following:

- 1 Operating the Ship's Service Activity efficiently and in accordance with established objectives and net profit requirements.
- 2 Recommending items of merchandise and services to be provided.
- 3 Purchasing Ship's Service Activity merchandise and supplies in accordance with sound business practice and procedure.
- 4 Determining hours of operation with the concurrence of the Superintendent or his designated representative.
- 5 Providing technical instructions and guidance in methods and procedures through merchandise surveys, and other appropriate methods to assist employees in the attainment of operating goals and standards.
- 6 Negotiating and recommending the award of contracts and service agreements relating to the operation of the activity.
- 7 Recommending markup policies and developing pricing schedules.
- 8 Developing merchandising programs, inventory control procedures, and purchasing policies; and overseeing the physical inventory in accordance with established procedures.
- 9 Prescribing and maintaining Ship's Service Activity budgetary procedures.
- 10 Maintaining a uniform system of accounting and financial reports, utilizing the recognized retail method of accounting.

- 11 Preparing and distributing Ship's Service Activity financial statements to the responsible administrative and accounting officials of the Maritime Administration.
- 12 Making payment of invoices and payrolls; and making the necessary and required deductions from wages or salaries for social security, income taxes, and other purposes.
- 13 Attaining a prescribed net profit goal which shall be fixed at a fair and reasonable return in relation to the costs of operation. This should include the preparation of an annual plan of income and expense to achieve the desired return.
- 14 Recommending the disposition of surplus Ship's Service non-appropriated fund activity property.
- 15 Providing and maintaining necessary equipment, structures and facilities for the operation of the Ship's Service Activity.
- 16 Providing adequate security, fire protection and sanitation facilities, in accordance with appropriate directives.
- 17 Developing generally an overall merchandising and operational program designed to maintain the Ship's Service Activity on a prudent business-like basis in order to attain the prescribed services and net profit goal.

Section 6. Activities of the Ship's Service Activity :

6.01 Approved Activities - The Ship's Service Activity may provide or include, when approved by the Superintendent, the following goods and services:

- 1 General Merchandise and Gift Items
- 2 Haberdashery and Uniforms
- 3 Soda Fountain and Snack Bar
- 4 Tobacco
- 5 Candy
- 6 Books
- 7 Magazines and Newspapers
- 8 Juke Box and Records and Supplies
- 9 Barber Shop
- 10 Tailor Shop
- 11 Laundry and Dry Cleaning
- 12 Shoe Repair
- 13 Photographic Studio
- 14 Packaged Snack Items
- 15 Restaurant and/or Cafeteria
- 16 Recreation and athletic facilities such as bowling alleys
- 17 Vending & amusement machines (subject to Section 6.04 below)
- 18 Shoe shine stand and other personal services

6.02 Limitations on Activities:

- 1 Activities, other than those enumerated above, will not be added to the business of the Ship's Service Activity at the USMMA without the prior approval of the Assistant Secretary for Maritime Affairs.
- 2 Only customers authorized by the Superintendent may patronize the Ship's Service Activity. Authorized customers with appropriate identification would normally include the following:
 - (1) Midshipmen
 - (2) Academy personnel and members of their immediate families.
 - (3) Personnel and students of organizations located at the USMMA, such as the National Oceanic and Atmospheric Administration, Civil Service Commission, National Maritime Research Center, Alumni Office, Athletic Association, Food Service or similar organizations which may be subsequently formed.
 - (4) Official visitors.
 - (5) Alumni and members of their immediate family.
 - (6) Armed Forces personnel, retirees, and reservists.
- 3 In all cases where the Ship's Service Activity renders a personal service by acting in an agency capacity, the Ship's Service Activity, acting by and through the Manager or other employee, will limit its liability to that of an agent, and will not bind itself to perform any of the obligations of the principal.
- 4 The operation of any gambling device, such as punch boards, slot machines, or similar devices, by or in the Ship's Service Activity is prohibited.
- 5 The sale of or dealing in any intoxicating beverages by the Ship's Service Activity or its employees, is prohibited.

6.03 Concessions. So far as is practicable, all authorized activities will be operated directly by the Ship's Service Activity. Where existing circumstances would preclude the realization of comparable service and financial return through direct operation, the operation on a concession basis of any of the above-enumerated activities may be authorized by the Superintendent. Such authorization shall not include the renting of government property for the benefit of the Ship's Service Activity.

6.04 Vending and Amusement Machines. Vending and amusement machines not specifically prohibited by Section 6.02 4 of this order may be operated by the Ship's Service Activity directly; or such may be operated on a concession basis as provided in Section 6.03 above.

Section 7. Structures and Other Real Property:

The Maritime Administration will provide and maintain, from appropriated funds, suitable facilities for the various activities of the Ship's Service Activity. Accordingly, the Superintendent is authorized to set apart for the use of the Ship's Service Activity any suitable public building, rooms or other property. Public buildings, including permanently installed heating, plumbing, and electrical systems and equipment, occupied in part by the Ship's Service Activity will be maintained and repaired by the USMMA out of funds applicable to the maintenance, repair, and operation of the buildings, structures, and systems at the USMMA, without reimbursement from the non-appropriated funds of the Ship's Service Activity.

This use of government property to operate the Ship's Service Activity that is incidental to and dependent upon the expenditure of appropriated funds is the basis of the interest that the U.S. government has in the profit and property of the Ship's Service Activity.

Section 8. Equipment and Articles of Personalty:

8.01 Title to and accountability for all equipment or articles of personalty, purchased wholly with non-appropriated funds of the Ship's Service Activity, remain with the Ship's Service Activity where this property is movable, or where it is so attached to or so integrated with a public structure or land as to be severable without causing unreasonable physical damage or injury to such structure or land.

8.02 When any equipment or articles of personalty, purchased wholly with non-appropriated funds of the Ship's Service Activity are to be attached to or integrated with any public structure or land so as not to be severable without causing unreasonable physical damage or injury to such structure or land, legal title to such property shall be retained by the Maritime Administration. If it is desired that equitable title to and accountability for such property be retained by the Ship's Service Activity, a written permit identifying the property and authorizing retention of equitable title and accountability by the Ship's Service Activity will be obtained from the Superintendent or his duly authorized representative. The Head, Department of Public Works at the USMMA, will be furnished a copy of such permit. Equipment or articles of personalty covered by such a permit may be removed by, and legal title may be transferred to, the Ship's Service Activity, provided that the public structure or land to which the property was affixed is, at the expense of the Ship's Service Activity, restored by the Ship's Service Activity to the condition existing at the time the property was originally affixed thereto.

Section 9. Government Equipment:

Equipment owned by the Academy may be utilized by the Ship's Service Activity, when available, provided that all operating and maintenance costs of such equipment, other than those described in Section 8 above,

are paid from the non-appropriated funds of the Ship's Service Activity. However, the procurement of equipment with appropriated funds for the use of the Ship's Service Activity is expressly forbidden.

Section 10. Payment of Utility Charges:

The Ship's Service Activity will reimburse the Government for the cost of heat, water, light, power, and other utilities furnished by the Government. The charges for utility services will not be in excess of the cost to the Government and, where necessary, the amount of the utilities furnished shall be estimated on a fair and reasonable basis.

Section 11. Accounting and Audits:

11.01 The Ship's Service Store will maintain accounts in accordance with the uniform system of accounts and related policies prescribed by the Maritime Administration which shall embrace provisions for the adoption of a uniform chart of accounts, use of the retail method of accounting, use of uniform procedures governing the maintenance of the net worth account and the uniform grouping of accounts for balance sheet purposes. The Ship's Service Activity will maintain a segregated account to reflect the amounts maintained to cover the depreciation of items of personal property and equipment.

11.02 Budgetary controls will be established at the Ship's Service Activity substantially in accordance with budget policies and procedures prescribed by the Maritime Administration for its other activities, and said budgetary controls will have as their major objectives control of expenses and profit requirements and determination of open-to-buy limitations which are essential to the control of inventories.

11.03 The records and accounts of the Ship's Service Activity shall be audited by a certified public accountant, not less frequently than annually. Copies of the audit report and related correspondence shall be forwarded to the Superintendent, Office of Budget and Program Analysis, and Office of Financial Analysis in Washington.

Section 12. Insurance and Indemnity Coverage:

Insurance of the type, plan and in the amounts necessary to protect the Ship's Service Activity interest in the property under its control and supervision will be carried. The premiums or costs for such insurance shall be paid from the non-appropriated funds of the Ship's Service Activity as a necessary charge and cost of doing business.

Section 13. Social Security and Income Taxes:

The Manager of the Ship's Service Activity shall undertake to deduct and withhold from the compensation paid to all employees of the Ship's Service Activity, the required amounts to cover the employees' Social Security tax, and the Federal Income Tax, and where required by the State of New York or any other State, the State income tax.

Section 14. Travel Expenses:

If travel is required by the Manager or any employees of the Ship's Service Activity in connection with the discharge of the functions and duties arising in and out of the course of their employment, said employees shall be entitled to reimbursement therefor to the extent of such expenditures, but not in a sum which exceeds travel allowances of Federal employees. Such expenses are to be paid out of the non-appropriated funds of the Ship's Service Activity.

Section 15. Profits:

The net profits objectives of the Ship's Service Activity will be established on a sound financial basis consistent with the maintenance of reasonable price levels and adequate service and the generation of funds required for the acquisition by the Ship's Service Activity of capital sufficient, first, to achieve and maintain a position of self-support, and second, to provide for additional appropriate merchandise and services to personnel authorized to patronize it, or to make distributions thereof, in accordance with Sections 6 and 16 herein.

Section 16: Distribution of Profits:

16.01 The Ship's Service Activity may make distributions of profits to authorized Academy welfare funds and/or activities of the USMMA, which are for the benefit of Academy Programs. Any profits to be distributed shall be from the undistributed net profits of Ship's Service over and above the requirements of Section 15 above. No such distributions shall be paid out of any segregated funds held and maintained in the depreciation account as set forth in Section 11, above.

16.02 The profits to be distributed in accordance with the above will be disposed of as follows:

- 1 At the close of each fiscal year the Manager will report to the Superintendent the net profits of the Ship's Service Activity available for distribution.
- 2 The Superintendent, after considering the needs of the Academy welfare activities, shall direct the distribution of any part or all of the net profits to designated activities.
- 3 The amount of net profits not required to meet the above conditions will be transferred to net worth.

16.03 The profits distributed and paid to the welfare fund or activity, as directed by the Superintendent, will be appropriately stated in the audit report.

Section 17. Inspections:

Inspection of the Ship's Service Activity will be made as required by duly authorized representatives of the Department of Commerce and the Maritime Administration who will make such verification and confirmations as are deemed necessary to establish, with reasonable certainty, the financial status of Ship's Service Activity, and of the funds, the accuracy of the records and the propriety of the expenditures and other actions taken by the Manager and/or employees. Necessary corrective measures will be recommended when irregularities are found to exist. The inspections provided for in this Section shall be in addition to the audit and budgetary controls provided herein.

Section 18. Bonding:

The Superintendent is hereby authorized to require the Manager and any employee of Ship's Service who receives, pays, or maintains custody of money or other personal property owned by the Ship's Service Activity, or in its custody or control, to give bond in a corporate surety company holding a certificate of authority from the United States Secretary of the Treasury as an acceptable surety on federal bonds. Any such bond or bonds shall be in a form approved by the General Counsel, with a view to providing surety coverage to Ship's Service with reference to loss by reasons of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful appropriation or misapplication on the part of the person, directly or through connivance with others, and such other surety coverage as the Superintendent may determine to be reasonably appropriate under the circumstances. Any such bond or bonds shall be in an amount in relation to the money or other personal property involved. In lieu of individual bonds the Superintendent may approve the use of a form of schedule or blanket bond which covers all of the employees and Manager whose duties include the receipt, payment or custody of money or other personal property for and on behalf of the Ship's Service Activity.

Section 19. Legal Status and Legal Advice:

19.01 As a non-appropriated fund activity of the Government of the United States, the legal status, rights and liabilities of the Ship's Service Activity, funds, property, and installation manager, are determined by statute and decisions of the Courts, the opinions of the Attorney General, the decisions of the Comptroller General of the United States, the opinions of the General Counsel of the Maritime Administration and the General Orders and Regulations issued by the Maritime Administration relating thereto.

19.02 The Superintendent and his designated representative are entitled to the legal advice or services of the General Counsel in order to protect the rights and interests of the Ship's Service Activity.


ROBERT J. BLACKWELL

Assistant Secretary
for Maritime Affairs