50.40
Cash Management Improvement Act

50.40.10 Purpose of the Cash Management Improvement Act
July 1, 2005

The Cash Management Improvement Act of 1990 (CMIA) provides rules and procedures for the efficient transfer of federal financial assistance between the federal agencies and the state. The implementing regulations are in 31 CFR Part 205. The general provisions of the Act are as follows:

1. Federal agencies must make timely fund transfers and grant awards to state agencies.

2. State agencies must minimize the time between the deposit of federal funds in the state's account and the disbursement of funds for program purposes.

3. With some exceptions, the state is entitled to interest from the federal government from the day the state pays out its own funds for federal assistance program purposes to the day federal funds are credited to the state bank account.

4. With some exceptions, the federal government is entitled to interest from the state from the day federal funds are credited to the state's account to the day the state pays out the federal funds for federal assistance program purposes.

5. The state must enter into a Treasury-State Agreement (TSA) with the U.S. Department of the Treasury, Financial Management Service (FMS) to set forth terms and conditions for implementing CMIA.

50.40.20 The Treasury-State Agreement defines the drawdown methods to be used by agencies
November 15, 2000

The Office of Financial Management (OFM), with the assistance of all affected state agencies, negotiates the TSA with FMS. The TSA outlines by program, the funding technique and the clearance pattern the state will use to draw down funds from the federal government. Generally, conformance with the TSA assures that the state does not owe the federal government, or is not due from the federal government, interest liability on its drawdowns.

Amendments to the TSA may be proposed by either the state or the federal government at any time during the duration of the contract.

50.40.30 Federal assistance programs and state agencies subject to the CMIA

July 1, 2007

The programs listed in the Catalog of Federal Domestic Assistance are subject to CMIA regulations. Currently, programs with $35 million or more in federal expenditures, as determined from the state's 2006 Single Audit Report Schedule of Expenditures of Financial Awards, are required to be covered under the TSA (CMIA agreement). The list of federal assistance programs impacted by CMIA may be revised annually, depending on the total amount of federal expenditures as reported in the state's Single Audit Report. State agencies that administer CMIA programs are subject to CMIA regulations.

50.40.40 Responsibilities of the Office of Financial Management (OFM)

July 1, 2005

The responsibilities of OFM are to:

1. Annually identify the state agencies and federal assistance programs that will be considered as CMIA programs and notify affected state agencies.

2. Negotiate with FMS new agreements and amendments to the existing TSA (Refer to Subsection 50.40.20).

3. With the assistance of the Office of State Treasurer (OST) and affected state agencies, develop clearance patterns.

4. Prepare annual interest reports and direct cost claims for submittal to FMS (submitted in December each year for the previous state fiscal year).

5. Direct OST as to the payment of state interest liability and/or receipt of federal interest liability.

6. Certify, with affected agencies' concurrence, every five years that clearance patterns correspond to a program's clearance activities.

50.40.50 Responsibilities of agencies that administer CMIA programs

July 1, 2002

The responsibilities of the state agencies that administer CMIA programs are:

1. Request federal funds in accordance with the approved funding technique described in the TSA and in amounts needed for immediate payments.

2. Document the amount of federal funds requested and when federal funds are deposited in the state's account.

   If federal funds are not available when required per the TSA, process the request which will document federal funds were properly requested by the state in accordance with the TSA.

   - For the federal draw systems that reject requests when federal funds are not available in the system, make the request and print the rejection notice as evidence of the state's conformance with the TSA. If necessary, make appropriate phone calls to federal agencies to notify them that federal funds are not available per the TSA. Document efforts made to request federal funds per the TSA.

   - When federal funds are not available per the TSA, maintain documentation of the amount of state funds expended, the dates of these expenditures, the date federal funds were requested, and the date federal funds were received. Maintain this documentation for use in calculating federal interest liability on late federal funds.

   Note: In most cases, the state cannot calculate a federal interest liability unless the state has made a request through a federal draw system and had it rejected, or has notified the applicable federal agency that federal funds are not available per the TSA.

3. Calculate the state and federal interest liabilities (Refer to Subsection 50.40.60) by program and any associated direct costs (Refer to Subsection 50.40.70).

4. Notify OFM, Accounting Division, of changes to the funding techniques and clearance patterns. A state agency shall <u>not</u> make a change until it is reviewed and approved by OFM and FMS.

5. Certify to OFM that CMIA programs conform to the drawdown methods described in the TSA (Refer to Subsection 50.40.20). OFM requests this certification in December of each year.

50.40.60 How to calculate interest owed or due

July 1, 2005

In cases where interest is owed to the federal government, or due from the federal government, under the TSA, agencies should calculate and document the interest owed or due. The interest rate to be used is the annualized rate equal to the average equivalent yield of 13-week Treasury Bills auctioned during the state's fiscal year. The interest rate is provided to the state by FMS. Agencies should ensure that interest calculations are auditable.

50.40.70 Interest calculation costs of implementing the TSA are reimbursable

July 1, 2003

Interest calculation costs related to implementing the TSA are reimbursable by the federal government and are claimed on the Annual Report of interest liabilities that is submitted by OFM to FMS in December each year. Interest calculation costs are those costs an agency incurs in performing the actual calculation of interest liabilities, including those costs an agency incurs in developing and maintaining clearance patterns in support of interest calculations. Costs associated with expenses for normal disbursing services, such as processing checks or maintaining records for accounting and reconciliation of cash accounts, or expenses for upgrading or modernizing accounting systems are not reimbursable. Agencies must maintain documentation to substantiate claims for interest calculation costs. Interest calculation costs in excess of $50,000 are not eligible for reimbursement, unless the agency can justify that without incurring such costs, it would not be able to develop clearance patterns or calculate interest.

50.40.80
November 15, 2000

Responsibilities of agencies receiving federal funds, but not designated as CMIA programs

The principal responsibilities of other state agencies receiving federal funds not designated as CMIA programs are:

1. Draw federal funds as close as possible to when the underlying disbursement is made by OST or the local bank.

2. Draw federal funds at the earliest date allowed by the federal program or regulations.