

Chapter 50 – Federal Compliance

50.40 Cash Management Improvement Act

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Cash Management Improvement Act

50.40.10 Purpose of the Cash Management Improvement Act

The Cash Management Improvement Act of 1990 (CMIA) was enacted by Public Law 101-453, 31 U.S.C. 3335 and 6503. The implementing regulations are in 31 CFR Part 205. The purpose of CMIA is to ensure efficiency, effectiveness, and equity in the exchange of funds between the states and the federal government for federal assistance programs. The general provisions of the Act are:

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. 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 (TSA) defines the drawdown methods to be used by agencies

The Office of the State Treasurer, 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

All programs listed in the Catalog of Federal Domestic Assistance (CFDA) are subject to CMIA regulations. Major Federal assistance programs are defined based on the dollar amount of an individual Federal assistance program and the dollar amount of all Federal assistance being received by a State for all Federal assistance programs including non-cash programs as reported on the Schedule of Expenditures of Financial Awards (SEFA). The percentage to be applied is tiered and based upon the total amount of Federal assistance received. Any programs identified as Major are required to be included in the TSA (CMIA agreement). The list of Major program threshold and program expenditures may change annually based upon new SEFA data.

Federal programs which have annual SEFA expenditures less than the threshold amount calculated in the TSA are considered Non-Major federal programs. Non-Major programs are not included in the TSA; however, it is expected that the coordination of federal program receipts will minimize the time between receipts and corresponding expenditures.

Refer to 50.40.80 for responsibilities related to Non-Major programs

50.40.40 Responsibilities of the Office of the State Treasurer

The responsibilities of the Office of the State Treasurer are:

1. Annually identify federal assistance programs that will be considered as Major federal programs and notify affected state agencies. Prepare the TSA identifying components, drawdown techniques, and clearance patterns of Major federal programs with assistance from the affected state agencies.
2. Recertify the accuracy of clearance patterns at least every five years. Monitor and certify that clearance patterns accurately reflect a program's clearance activities.
3. Calculate and process the payment of state interest liability and/or receipt of federal interest liability.
4. Distribute TSA to participants and facilitate amendments to the TSA, when applicable.

50.40.50**Responsibilities of agencies that administer major federal programs**

The responsibilities of the state agencies that administer Major federal programs are:

1. Request federal funds in accordance with the approved funding technique described in the TSA.
2. Maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and exceptions and/or refunds.

For each disbursement, the agency shall be able to identify:

- Amount of the federal program disbursement
- Date of disbursement (check mailing date or EFT effective date)
- Date funds were requested
- Amount and date (bank validation) Federal funds are received and credited to a State account.

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.

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. 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.

3. Notify the Office of the State Treasurer of significant program changes, such as new programs, grant discontinuance, or changes to funding techniques. A State agency shall not make a change until it is reviewed and approved by the Office of the State Treasurer and FMS.

4. Certify to the Office of the State Treasurer:
 - Receipt, understanding of, and agreement to abide by the terms of the TSA; and,
 - Details of exceptions and refunds to assist in the liability calculations performed by the Office of the State Treasurer (annually).
5. Assist the State Treasurer's Office in the calculation of interest liabilities to or from the federal government for the Annual Report.
6. Establish methods to evaluate and monitor compliance with statutes, regulations, and the terms and conditions of Federal awards. This includes monitoring cash balances and compliance with drawdown techniques as defined in the TSA.

50.40.60 How to calculate interest owing or due

With the assistance of State agencies, the State Treasurer's Office will calculate interest owed or due the federal government where applicable. 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 information to be used for interest calculations is auditable and accurate.

50.40.70 Interest calculation costs of implementing the TSA are reimbursable

The Treasurer's 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 the Treasurer's Office to FMS annually. Interest calculation costs are those costs an entity incurs in performing the actual calculation of interest liabilities, including those costs incurred 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. The State Treasurer 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 State can justify that without

incurring such costs, it would not be able to develop clearance patterns or calculate interest.

50.40.80 Responsibilities of agencies receiving federal funds designated as non-major programs

The principal responsibilities of State agencies receiving federal funds for programs designated as non-major federal programs are:

1. Coordinate the drawdown of federal funds with the State Treasurer's Office to minimize the amount of time elapsing between the drawing and disbursement of federal funds. In most cases, it is expected that the drawdown of funds will occur prior to the corresponding disbursement. The timing of the draws and disbursement shall be as close as is administratively feasible. Administratively feasible has been defined as such: "federal funds shall be held for no more than 7 business days."
2. Agencies shall ensure that program receipts and expenditures are auditable.
3. Establish methods to evaluate and monitor compliance with statutes, regulations, and the terms and conditions of Federal awards. This includes monitoring cash balances and taking those amounts into consideration for the size and timing of drawdowns from the Federal government.

50.40.90 Additional information

The State of Maine, Office of the State Treasurer provides agencies administering both Major and Non-Major federal programs with guidance for complying with the Cash Management Improvement Act. The CMIA coordinator may be reached at the Treasurer's office at (207) 624-7477.