

# WHAT'S THIS CASH MANAGEMENT IMPROVEMENT ACT (OR CMIA) ALL ABOUT?

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## ***Why CMIA?***

Two recurring problems needed attention.

1. States were drawing Federal funds in advance of need, and
2. the Federal Government was providing late grant awards to States.

So, the Cash Management Improvement Act of 1990 (CMIA) was passed to “ensure greater efficiency, effectiveness and equity in the exchange of funds between the federal government, states, territories and the District of Columbia”.

## ***Main Components of CMIA***

- Treasury–State Agreement
- Annual Report
- Interest Liability Payment

## ***Treasury-State Agreement***

### **What is a Treasury– State Agreement?**

“A Treasury-State Agreement documents the accepted funding techniques and methods for calculating interest agreed upon by the Department of Treasury and a State and identifies the Federal assistance programs governed by this subpart A.”

### **Treasury–State Agreement Requirements**

- A Treasury-State agreement must be amended when the terms of the existing agreement are either no longer correct or no longer applicable.
- Amendments may address additions or deletions of Federal assistance programs, changes in funding techniques, and changes in clearance patterns.

### **Amending the Treasury–State Agreement**

- Process begins after the Schedule of Expenditures of Federal Awards (SEFA) is published in February.
- Current year agreement (based on the State fiscal year) uses the SEFA from the two periods prior. For example, the 2010 Agreement uses the data from the 2008 SEFA.
- Draft agreement due by the end of April.
- Final approved agreement available by the end of June.

## What's included in a Treasury-State Agreement?

- Programs Covered
- Entities Covered
- Components of the Programs
- Percent of Funds Entity Receives by Components of the Programs
- Funding Techniques
- Clearance Patterns

## Sample of Program Detail

### 84.027 Special Education -- Grants to States

Recipient: Department of Assistive and Rehabilitative Services

% of Funds Agency Receives: 1

Component: Program Costs

Technique: Average Clearance

Clearance Pattern: N/A

Recipient: Texas Education Agency

% of Funds Agency Receives: 96

Component: Program Costs

Technique: Pre-Issuance

Clearance Pattern: 3 Days

Recipient: Texas Education Agency

% of Funds Agency Receives: 1

Component: Payroll Costs

Technique: Pre-Issuance

Clearance Pattern: 3 Days

Recipient: Texas Education Agency

% of Funds Agency Receives: 2

Component: Indirect Costs

Technique: Pre-Issuance

Clearance Pattern: 3 Days

## What Programs are Covered in a Treasury-State Agreement?

- Federal assistance programs that are listed in the Catalog of Federal Domestic Assistance, and
- Federal assistance programs that meet or exceed the threshold for major Federal assistance programs in a State.

## What is a Major Federal Assistance Program under CMIA Regulations?

- Major Federal assistance programs covered under CMIA are different from major Federal programs for the A-133 audit of the SEFA. However, the SEFA is used to calculate the threshold for major Federal assistance programs covered under CMIA.
- Table A in §205.5 defines the parameters of a major Federal assistance program.

## What does this mean for Texas?

- The total amount of Federal assistance for all programs reported in the SEFA is over \$10 billion, therefore
- any Federal assistance program that exceeds the greater of 0.30 percent of the total Federal assistance or \$60 million is considered to be a major program for CMIA.

## Exceptions for Major Programs

Components of a major program may be excluded from interest calculations if a State administers a program through several State agencies and meets the following requirements.

### Exception Requirements for Major Programs

- (1) The dollar amount of the exempted cash flow does not exceed 5% of the State's major Federal assistance program threshold, and
- (2) The total amount excluded under a single program by all State agencies administering the program does not exceed 10% of that Federal assistance program's total expenditures.

## Other Exceptions

- Higher Education entities are exempt from inclusion in the Treasury-State agreement.
- Federal assistance programs that are non-state programs or non-cash programs are excluded from the Treasury-State agreement.

## Entities Covered

- Determined from information reported for the SEFA
- Total of 14 agencies included in the 2009 Agreement
- Agreement for 2010 adds two new agencies and drops two agencies for a total of 14 again.

## Agencies Contacted to Verify Information

- Verify existence of major program(s) at the agency.
- Verify the following for each program:
  - Component of the funds received (e.g. program costs, payroll, etc.)
  - % of funds received for each component
  - Funding Techniques
  - Clearance Patterns

## Funding Techniques

- Interest Neutral – **do not** have to calculate interest liability
- Not Interest Neutral – **do** have to calculate interest liability

### **Funding Techniques – Interest Neutral**

- Average Clearance
- Actual Clearance, ZBA-ACH
- Actual Clearance, ZBA-Same Day Payment
- Indirect Cost Rates – Proportionate Shares
- Monthly Draws
- Unique funding techniques specific to a particular agency

### **Funding Techniques – Not Interest Neutral**

- Pre-Issuance
- Unique funding techniques specific to a particular agency

### **Funding Techniques – Average Clearance**

The State shall request funds such that they are deposited by ACH on the dollar-weighted average days of clearance for the disbursement. The amount of the request shall be for the exact amount of the disbursement. This funding technique is interest neutral.

### **Funding Techniques – Actual Clearance, ZBA-ACH**

The State shall request funds such that they are deposited by ACH on the settlement date of the payments issued by the state. The amount of the request shall be for the amount of funds that clear the State's account on the settlement date. This funding technique is interest neutral.

### **Funding Techniques – Actual Clearance, ZBA-Same Day Payment**

The State shall request funds on the same day it pays out the funds. The amount of the request shall be for the amount of funds that clear the State's account on that day. This funding technique is interest neutral.

### **Funding Techniques – Indirect Cost Rates – Proportionate Shares**

The State shall include a proportionate share of the indirect cost allowance in each request for funds by applying the indirect cost rate to the appropriate cost base of each drawdown. This funding technique is interest neutral.

### **Funding Techniques – Monthly Draws**

The State shall draw down once a month, approximately mid-month by applying the indirect cost rate to the appropriate direct costs of the prior month. This draw shall cover indirect costs incurred during the prior month. This funding technique is interest neutral.

### **Funding Techniques – Pre-Issuance**

The State shall request funds such that they are deposited in a State account not more than three days prior to the day the State makes a disbursement. The amount of the request shall be the amount the State expects to disburse. This funding technique is not interest neutral.

### **Funding Techniques – Unique to Specific Agencies**

Several State agencies have unique funding techniques for their agency and/or for a specific program or component of a program. These funding techniques may be interest neutral or not interest neutral.

## **Clearance Pattern Days in Treasury-State Agreement**

Based on the most recently completed information from the CMIA Annual Report Worksheets for Fiscal Year Draws (e.g. 2010 agreement uses worksheets for the 2008 CMIA Annual Report)

## **Final Steps in the Agreement Process**

- Agencies – final review and certify information in the draft
- Draft agreement submitted to Financial Management Services (FMS), U.S. Treasury
- Approved agreement returned for Comptroller official signature and then resubmitted for FMS official signature
- Final copy of agreement with Comptroller and FMS signatures returned
- Copy of final Agreement provided to agencies included in the agreement

## **Questions on the Treasury-State Agreement?**

## ***CMIA Annual Report***

### **What is the CMIA Annual Report?**

A CMIA Annual Report accounts for State and Federal interest liabilities on the programs included in the Treasury-State Agreement for the State's most recently completed fiscal year.

### **What's included in the CMIA Annual Report?**

- Current State and Federal interest liability claim in total and by major Federal assistance program
- Prior period State and Federal interest liability claim
- Interest Calculation Cost claim
- Certification and signature of authorized State official

### **Gathering Information for CMIA Annual Report**

Request for information sent out in October includes the following:

- CMIA Annual Report Worksheet(s) for Fiscal Year Draws
- CMIA Interest Calculation Cost Report
- CMIA Late Payment Worksheet
- CMIA Prior Year Adjustments
- Instructions for completing the worksheets

## CMIA Annual Report Worksheet for Draws

### CMIA Annual Report Worksheet for Fiscal 2009 Draws

*I hereby certify to the best of my knowledge that the following information is true and accurate.*

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Agency: \_\_\_\_\_  
CFDA No.: \_\_\_\_\_  
Program Name: \_\_\_\_\_

	Description	Technique	Total Annual Drawdown (Dollars)	Clearance Days	
				Deposit to Warrant Issue	Warrant Issue to Clearance
Component No.1:	Program Costs				
Component No.2:	Payroll Costs				
Component No.3:	Indirect Costs				
Component No.4:					

## CMIA Annual Report Worksheet for Draws

Refunds \$50,000 or greater

Component No.	Amount	Receipt Date	Use Date	Days in Treasury
				-
				-
				-
				-
				-
				-
				-
				-
				-
				-
				-
				-
				-

## CMIA Annual Report Worksheet for Draws

Comptroller provided information

- CFDA Number and Name per program included in the Agreement
- Component description and respective funding technique per the Agreement
- Period 2 Clearance days for time between warrant issue and clearance from Treasury account

## CMIA Annual Report Worksheet for Draws

Agency provided information

- Total draws for the fiscal year by component of the program. **NOTE:** Provide total draws even if funding technique is interest neutral and clearance days are therefore N/A.
- Period 1 Clearance days for time between deposit of funds in the State Treasury and warrant issue
- Refund information for refunds equal to or greater than \$50,000

## Calculating CMIA Clearance Patterns

### What is a CMIA clearance pattern?

A clearance pattern is an estimate of the length of time federal funds are in the State Treasury before they are disbursed for program purposes.

### What is a CMIA clearance pattern?

- Point one
  - an estimate of length of time
    - based upon a sample – 3 months representative of the year’s activity
    - done periodically – required to be recalculated at least every 5 years
- Point two
  - federal funds are in the State Treasury

### What are CMIA Clearance Patterns Used For?

- Determining when to request federal funds (State program agency)
- Calculating interest liabilities (Comptroller)

### Calculating Clearance Patterns in Texas

- Factors affecting the process:
  - decentralized responsibility for federal fund requests
  - requirement that funds be in Treasury in order to issue warrant
  - multiple (and diverse) agency accounting systems
- Implications:
  - clearance patterns are joint responsibility of Comptroller and state program agency
  - clearance patterns are divided into two parts
  - clearance patterns are unique to each agency and are cumulative
  - Comptroller and program agency must use consistent methodology
  - the process used by an agency and the Comptroller to calculate a clearance pattern may vary between agencies to accommodate differences in agency records



## Process for Calculating Clearance Patterns

### *The Texas Two-Step*

#### Period 1

- Defined as the time from deposit of federal funds in the State Treasury until a payment is issued
  - Use USAS payment written date
- Only agency can link deposit to issue date
- Period 1 is calculated by the agency
- For the 3-month sample period:
  - Identify all deposits of federal funds for the specific CFDA number (or numbers) for which the agency is developing the pattern
  - Identify the disbursement of funds related to those deposits
  - Use SAO worksheet – **highly recommended**
  - Account for 99 percent of drawdown amount (FIFO)
- Convey results to Comptroller as part of annual report process

#### Period 2 Overview

- Defined as the time from payment issue date until the warrant clears the Treasury or the direct deposit settles in the recipient's bank
- Period 1 ending date is Period 2 beginning date
  - Use USAS Payment Written Date Position 812 of the USAS History Extract
- Comptroller has Treasury clearance and Direct Deposit settlement dates and can determine the days each payment takes to clear
- Direct deposit payments issued on Thursday or Friday take a minimum of 4 days to settle, while those issued on other weekdays take 2 days
- Direct deposit monthly payroll payments to employees have zero clearance days because they are funded on the actual payment date (issue date = settlement date)

#### Period 2 Requirements

- Must be representative
- Must be three consecutive months, all in the current FY
  - Same as Period 1
- At least 99% of payments (based on dollar value) must have cleared the Treasury
- Agency must provide payment details to Comptroller

### **Period 2 Payment Details**

- Provide list of payments
  - Agreement requires calculation based on discrete payments
- Provide amount of each payment that pertains to the CFDA program
  - List only CFDA-related amount
- Include at least this information in an Excel spreadsheet
  - CFDA number
  - USAS Document number
  - Payment number
  - Amount

### **Period 2 Comptroller Calculation**

- Excluded transactions:
  - Journal entries
  - Expenditure Transfers (ETVs)
- Included transactions:
  - Anything resulting in a payment
  - ITV payments
    - Determined by Doc# - since there is no payment number
- A letter is sent to the agency outlining the calculation results

### **Points to remember**

- Ending date for Period 1 must equal the beginning date for Period 2
  - Use the USAS Payment Written Date
- Clearance patterns are only valid as long as the process has not changed
  - Agency is responsible for identifying factors that would invalidate a previously calculated clearance pattern

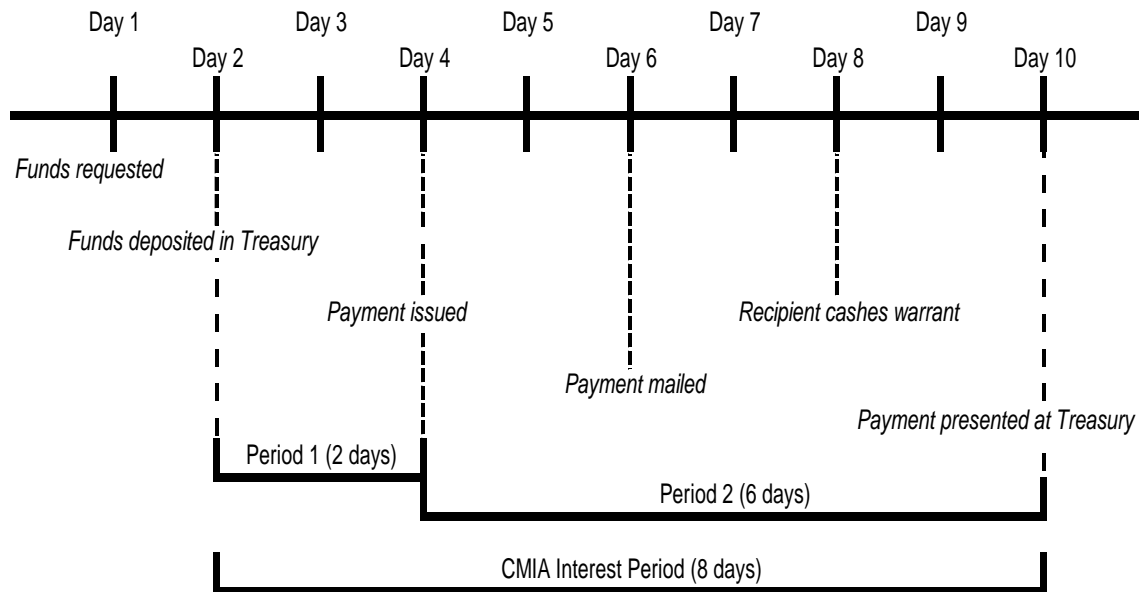
### **More points to remember**

- Pass-through funds
  - For pass-through agency, Period 1 end date is not when funds leave State Treasury but when control of funds are passed to second agency
- Clearance patterns can be created for groups of CFDA numbers
  - programs must operate similarly (same recipients, etc.)
  - sample would involve transactions for all the programs

### **And one final point to remember**

- Value for Period 1 can be less than zero
  - Negative value should never exceed (in terms of absolute amounts) Period 2
  - May trigger review of agency procedures

## Sample CMIA Interest Time Line



Step	Day	Event
1	1	The agency requests the funds from the federal program agency.
2	2	The funds are received and deposited with Treasury Operations.
3	4	The agency submits a USAS payment voucher and a payment (warrant) is issued.
4	6	The agency mails the warrant to the recipient.
5	8	The recipient cashes the warrant.
6	10	The warrant is presented to Treasury Operations for payment.

## Questions on CMIA Clearance Patterns?

## CMIA Interest Calculation Cost Report

### What is it?

The CMIA Interest Calculation Cost Report summarizes the State's costs of calculating interest, including the cost of developing and maintaining clearance patterns in support of interest calculations.

### Why do we need it?

- The State will be compensated annually for the costs of calculating interest.
- In other words, the interest liability payment for the State will be decreased by the total costs of calculating interest.

## CMIA Interest Calculation Cost Report

### *Cash Management Improvement Act Interest Calculation Cost Report*

Reporting by Agency

1. State of Texas	2. State Fiscal Year FROM: 09/01/2008 TO: 08/31/2009	3. PAGE (Form plus justification)
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#### A. INTERNAL STATE COSTS

##### I. Clearance Pattern Development/Maintenance

Cost Per Category

(i) State Personnel Cost	
(ii) State Non-personnel Cost	
(iii) Other Costs (specify)	

##### II. Interest Calculation

(i) State Personnel Cost	
(ii) State Non-personnel Cost	
(iii) Other Costs (specify)	
Internal State Sub-total	

#### B. CONTRACT CONSULTING COSTS

##### I. Clearance Pattern Development/Maintenance

(i) Personnel Cost	
(ii) Non-personnel Cost	
(iii) Other Costs (specify)	

##### II. Interest Calculation

(i) State Personnel Cost	
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(ii) State Non-personnel Cost	
(iii) Other Costs (specify)	
Contract Consulting Sub-total	

**C. ADJUSTED INTEREST CALCULATION COST**

Interest Calculation costs incurred prior to the current State fiscal year are not eligible for reimbursement pursuant to 31 CFR Part 205.14 (b)(5). In the event that interest calculation costs reimbursed in a prior State fiscal year are disallowed as the result of a subsequent audit, the disallowed amount must be included in this section. Provide an explanation of any amount reported in this section.

**D. TOTAL INTEREST CALCULATION COST**

\$ -

Calculate the Total Interest Calculation Cost claimed by adding the Internal State cost and the Contract Consulting Sub-totals, and subtract any adjusted Interest Calculation Cost. Provide supporting documentation for total costs in excess of \$50,000.

**E. AUTHORIZED STATE OFFICIAL CERTIFICATION**

"I hereby certify that this Interest Calculation Cost Report is accurate to the best of my knowledge. Interest Calculation costs recovered via this mechanism shall not be included in our cost allocation plan as provided for by OMB Circular A-87. The Agency shall maintain documentation to substantiate this interest calculation cost claim and shall make this information available to the U.S Department of the Treasury, Financial Management Service, upon request.

**SIGNATURE**

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**NAME**

**TITLE**

**DATE**

## CMIA Late Payment Worksheet

### What is it?

The CMIA Late Payment worksheet is used to record information related to late payments from the Federal program agency.

### Why is it used?

The Federal program agency incurs interest liability if a State pays out its own funds for Federal assistance program purposes with valid obligational authority. In other words, the State's interest liability would be reduced for any Federal interest liability incurred.

**NOTE:** The Federal agency does not incur interest liability due to a State's failure to request funds timely.

### CMIA Annual Report Worksheet for Fiscal Year 2009 Late Payment Worksheet

State Agency: \_\_\_\_\_

CFDA No.: \_\_\_\_\_

Program Name: \_\_\_\_\_

	Amount of Disbursement	Date of Issuance	Dollar-Weighted Day of Clearance*	Date of Request for Federal Funds	Date of Deposit of Federal Funds	Explanation of Federal Interest Liability
1						
2						
3						
4						
5						

## CMIA Prior Year Adjustments Worksheet

### What is it?

The Prior Year Adjustment Worksheet should be used to report any adjustments to the data reported in your agency's prior two fiscal years' CMIA reports.

### What are some examples?

- A change in the dollar amount of the federal drawdowns for a prior year.
- A change in the Period 1 clearance days for a prior year.
- A change in refund data reported for a prior year.

These changes can be due to the agency finding the error in the data reported or from an audit finding.

### What gets reported?

- Report incorrect data included on a prior year worksheet for draws.
- Report correct data that should have been included on a prior year worksheet for draws.
- Comptroller's office will calculate the difference in the interest liability based on the interest rates for the period relating to the correction.

## CMIA Annual Report Worksheet for Fiscal 2009 Prior Year Adjustments

State Agency Name: \_\_\_\_\_

I hereby certify to the best of my knowledge that the following information is true and accurate.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

AGY #	CFDA #	PROGRAM/ COMPONENT	FY	REASON FOR ADJUSTMENT	Prior Calculation				Re-Calculation Based on Reason for Adjustment				Difference (Col. O - Col. J)
					Total Annual Drawdown or Refund Amount (Dollars)	Clearance Days		Interest Calculation	Total Annual Drawdown or Refund Amount (Dollars)	Clearance Days		Interest Calculation	
						Dep to Warrant Issue	Warrant Issue to Clearance			Dep to Warrant Issue	Warrant Issue to Clearance		
								-				-	-
								-				-	-
								-				-	-
				Total				-				-	-

### Questions on the CMIA Annual Report?

## ***CMIA Interest Liability Payment***

### **How is the CMIA Interest Liability Calculated?**

The CMIA interest liability is calculated for each program or group of programs by applying the Interest Calculation Formula.

### **Interest Calculation Formula**

$$I = P \times R \times T/365$$

#### **Where:**

- I** = Interest liability
- P** = Total amount of federal dollars received during the fiscal year for programs covered
- R** = Average of the 13-week Treasury Bill equivalent yield, provided by FMS
- T** = The dollar-weighted average number of days federal funds are held by the State, determined by combining the Period One and Period Two calculated clearance days.

### **What is the CMIA Interest Liability Payment?**

- The CMIA interest liability payment is the approved amount from the CMIA Annual Report for the total State interest liability and prior year adjustments net of the interest calculation cost amount.
- FMS, U.S. Treasury informs the Comptroller's office mid-March of the approved amount from the CMIA Annual Report.
- Payment to the U.S. Treasury is due by March 31<sup>st</sup>.

### **How does the CMIA Interest Liability Payment affect your Agency?**

If interest earned on Federal funds received by your agency is deposited to **Fund 0001**, then

- Agency is NOT AFFECTED because,
- the Comptroller's office receives the appropriation to make any interest liability payment related to Fund 0001 interest.

If interest earned on Federal funds received by your agency is deposited to a fund **other than Fund 0001**, then

- Agency is AFFECTED because,
- your agency must transfer to the Comptroller's office, from the fund other than Fund 0001, the amount of interest liability related to the fund where the Federal interest earnings are deposited.

For those agencies affected by the interest liability payment, your ACO will work with you to get the funds transferred to the Comptroller's office around the third week in March.



## **How and when is the actual CMIA Interest Liability Payment made?**

- The Comptroller's office transfers Fund 0001 interest earnings, only to the extent of the interest liability, to the CMIA appropriation.
- Funds from other than Fund 0001 related to the CMIA interest liability are transferred to the Comptroller's office into the CMIA appropriation.
- Payment is made from the CMIA appropriation to the U.S Treasury, via wire transfer, on March 31<sup>st</sup>.

## **Questions on the CMIA Interest Liability Payment?**

### ***Roles and Responsibilities for CMIA***

#### **What is the role of the Comptroller?**

- Represent the state interest in the CMIA process
- Draft the Treasury-State agreement, including amendments
- Sign the Agreement
- Act as a resource to state agencies that administer programs
- Provide Period 2 clearance pattern information used in calculating interest under CMIA
- Prepare the Annual Report as required by CMIA, including calculating the interest payments due to the federal government
- Make the payment for any interest liability due via wire transfer on March 31<sup>st</sup>.

#### **What is the role of State Agencies included in the Treasury-State Agreement?**

- Review flow of funds and determine appropriate funding technique
- Provide accurate information to include in the Treasury-State Agreement
- Track direct costs for CMIA implementation
- Maintain separate records for refunds/rebates
- Develop sample data and calculate Period 1 clearance patterns
- Provide the Comptroller with appropriate and accurate sample data to aid in developing Period 2 clearance patterns
- Provide complete, accurate, and timely information for the CMIA Annual Report.
- Transfer funds, if applicable, for payment of the CMIA interest liability
- Practice good cash management methods to reduce CMIA interest liability

## ***Resources***

### **CMIA Rules and Regulations**

#### **Federal Register**

Part III

Department of the Treasury

Fiscal Service

31 CFR Part 205

Rules and Procedures for Efficient

Federal-State Funds Transfers; Final Rule

<http://www.fms.treas.gov/fedreg/31cfr205final.pdf>

#### **CMIA Handbook prepared by the Comptroller's Office**

Request a copy from Peggy Wagman.

## ***Questions?***

### ***Contact Information***

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