



State of Arizona Accounting Manual

Topic 70 Grants

Issued 03/05/18

Section 55 **Cash Management Improvement Act (CMIA)
Compliance**

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INTRODUCTION

A significant portion of State programs are funded by way of Federal grants. The receipt of Federal grant monies carries with it certain administrative obligations set forth in grant documents and Federal publications.

One of the responsibilities of recipients of Federal financial assistance is to comply with the Cash Management Improvement Act (CMIA). The CMIA was enacted to improve the transfer of Federal funds between the Federal Government and the States. To accomplish this, the CMIA endeavors to:

- Minimize the time between the transfer of funds to the states and the payout of such funds to support programs, whether the transfer occurs before or after the payout.
- Ensure that Federal funds are available when requested.
- Impose interest to compensate for the lost value of funds when held longer than necessary.

The purpose of this section of SAAM is to set forth agency responsibilities under the CMIA.

POLICIES

1. Compliance with the CMIA requires that the timing and amount of Federal draws must be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs.
2. Documentation must be available to support all requested Federal cash amounts. Unsubstantiated requests for Federal funds are not allowable.
3. To comply with 31 CFR 205.33(a), State agencies are to exercise sound cash management in transfers to subgrantees. This includes conforming to the standards of timing and amount, including:
 - 3.1. Minimizing the time between the transfer of funds and the payout of such funds to support programs, whether the transfer occurs before or after the payout.

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- 3.2. Ensuring that Federal funds are available when requested.
 4. An agency must monitor payments to vendors and subrecipients to ensure that disbursements are received and negotiated or cleared within ten (10) business days of issuance.
 - 4.1. Under the CMIA, cash is not considered expended when a payment is issued, but rather when it is negotiated or cleared.
 - 4.2. Monitoring and follow-up procedures are necessary to minimize the State's interest liability and potential noncompliance.
 - 4.3. All outstanding payments must be researched and properly accounted for before a grant is closed out; the grant's terms and conditions are to be followed when dealing with any remaining available cash.
 5. With respect to programs determined by the GAO, in accordance with 31 CFR 205, to be major programs:
 - 5.1. All major Federal financial assistance programs must be coordinated through the GAO and included in the CMIA Treasury-State Agreement (TSA), which includes the methodology to be used for drawing down Federal assistance.
 - 5.2. In order to account for any potential Federal interest liability due to the State of Arizona, all State agencies requesting funds from the Federal government for programs covered under the TSA must document the occurrence, follow up with the Federal grantor, and report any late Federal funding to the GAO.
 - 5.3. The CMIA requires the State to amend a TSA when terms of the existing agreement are no longer correct or applicable. Arizona CMIA agencies must notify the GAO immediately when there are material changes to their cash management processes that would result in a TSA no longer being accurate.
 - 5.4. Per 31 CFR 205.2, a fiscal agency of a State is an entity that pays, collects, or holds Federal funds on behalf of the State in furtherance of a Federal assistance program. Arizona CMIA agencies must notify the GAO when there is a change in an agency's fiscal agent(s) for a major program covered in the current TSA.
 6. Additional information may be available at the websites of the GAO or the GFR, at <https://gao.az.gov/> and <https://grants.az.gov/>, respectively.
 7. Inquiries should be directed to the GAO at FederalGrants@azdoa.gov.