

Cash Management Improvement Act (CMIA)

Prior to the passage of the CMIA in 1990, there were instances where states were drawing federal funds in advance of need and the federal government was late in providing grant awards to states. In response, the CMIA was passed to improve the transfer of federal funds between the Federal government and the States.

Three CMIA Objectives

1. **Efficiency** - Minimize the time between the transfer of funds to the States and the payout for program purposes
2. **Effectiveness** - Ensure that federal funds are available when requested
3. **Equity** - Compensate the Federal government and/or the States for the lost value of funds

Three CMIA Components

1. **Treasury-State Agreement (TSA)** - Documents the accepted funding techniques and methods for calculating interest - Due before June 30 for the State's next upcoming fiscal year
2. **Annual Report** - Reports on Federal and State interest liabilities - Due before December 31
3. **Annual Interest Exchange (payment or refund)** - Due before March 31

Federal Regulation

The applicable Federal regulation is 31 CFR Part 205 - *Rules and Procedures for Efficient Federal-State Funds Transfers*.

State Policy

The applicable State Policy is SAAM-70-55 *Cash Management Improvement Act (CMIA) Compliance*.

Treasury-State Agreement (TSA)

The TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Department of the Treasury, Fiscal Service (FS), and the State of Arizona for CMIA major Federal assistance programs. Major CMIA Federal assistance programs are based on the most recently completed *Single Audit - Schedule of Expenditures of Federal Awards (SEFA)*. Because Arizona's total SEFA dollars are currently over \$10 billion but less than \$20 billion a CMIA major program is any major Federal program that exceeds **\$60 million**.

Key Funding Techniques

Actual Clearance ZBA Same Day - Zero balance accounting (ZBA) means that a Federal Program Agency (FPA) transfers the actual amount of Federal funds to a State that are paid out by the State each day. ZBA is interest neutral.

Average Clearance - the FPA, on the dollar-weighted average day of clearance of a disbursement, transfers to a State a lump sum equal to the actual amount of funds that the State is paying out. The dollar-weighted average day of clearance is the day when, on a cumulative basis, 50 percent of the funds have been paid out. The dollar-weighted average day of clearance is calculated from a clearance pattern in accordance with §205.20. Average clearance is interest neutral.

Pre-Issuance (i.e. cash advance) - The FPA transfers the actual amount of Federal funds to a State that will be paid out by the State, in a lump sum, not more than three business days prior to the day the State issues checks or initiates EFT payments. Pre-Issuance is not interest neutral.

Refer to §205.12 and the current TSA section 6.2.1 for more detail on these funding techniques.

Annual Interest Rates

States must calculate Federal interest liabilities and State interest liabilities for each major CMIA Federal assistance program. The interest rate that must be used is the annualized average equivalent yields of 13-week Treasury Bills auctioned.

Interest Calculation Costs (ICC)

The Federal government allows States to claim up to \$50,000 for Interest Calculation Costs (ICC) on the Annual Report. States should **not** pass on to Treasury costs related to reconciling State accounts or normal disbursing activities. Only time compiling and analyzing data related to the interest calculation is allowable.

CMIA Requirements

- Notify FederalGrants@azdoa.gov when there is a change in a funding technique, fiscal agent, or any change in the cash management process that would result in the TSA no longer being accurate
- Notify FederalGrants@azdoa.gov when there is a change in key cash management personnel
- Perform timely reconciliations between AFIS and Federal and fiscal agent payment systems
- Perform periodic training for all applicable staff regarding CMIA requirements
- Document when Federal payment systems are unavailable and why
- Document errors that resulted in material over draws and how those errors were subsequently corrected
- Attach legible deposit support in AFIS. Good deposit support is clear as to:
 - ✓ Date cash is received by the State (e.g. wire confirmations)
 - ✓ Date checks were issued or electronic payments were initiated by the State (i.e. expenditure date)
 - ✓ Source of data such as an accounting system or report
 - ✓ How draw amounts were calculated
 - ✓ Client or Admin activity, if applicable