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INTRODUCTION

The Cash Management Improvement Act (CMIA) was passed by congress in 1990 and amended in 1992 and 2002 to ensure efficiency, effectiveness and equity in the transfer of funds between state and federal governments. All programs listed in CFDA are subject to CMIA regulations.

A major federal assistance program is one that meets the dollar threshold criteria contained in the Office of Management and Budget 2 CFR 200, Subpart F, the Single Audit Act. Each year, the federal government provides the dollar limitation to the states based upon the amount of federal receipts reported in the prior FY Mississippi Single Audit Report/Corrective Action Plan. The state CMIA coordinator notifies each agency affected by CMIA regulations when it is subject to CMIA reporting.

The major provisions of CMIA are:

1. Federal agencies must make timely fund disbursements and grant awards to states.

2. State and federal agencies must minimize the time elapsing between the transfer of federal funds to states and the presentation of states' check/warrants or settlement of EFT payments for CMIA program purposes.

3. States are entitled to interest from the federal government from the day the state pays out its own funds, for CMIA program purposes, to the day federal funds are credited to the state's account.

4. The federal government is entitled to interest from states for the time federal funds are in state accounts until the day funds are paid out for CMIA program purposes.

5. Interest charges will be paid from operating budgets and not amounts available for CMIA program funding.

It is the state's responsibility to track federal cash drawdowns and clearance patterns by program. The state should maintain information on disbursements and receipts of funds to verify the implementation of funding techniques and to document interest liabilities.

Funding Techniques

Federal funds should be requested in sufficient time to ensure that funds are received and program expenditures are paid in accordance with approved funding techniques. There are five different types of funding techniques:

1. Zero balance accounting - federal funds are received on the same day program expenditures are paid out of the state treasury by EFT.

2. Average clearance - federal funds are cleared based on the weighted average time it takes for vendors to deposit the state warrants, and for those warrants to clear the treasury.

3. Projected clearance – federal funds are requested based on the projected amount paid out each day by the State, determined by applying a clearance pattern to the total amount the State will disburse.

4. Cash advance – the Federal Program Agency transfers the actual amount of federal funds to the State that

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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.

5. Reimbursable funding – federal funds are requested based on actual amounts already paid by the State for federal assistance program purposes.

This listing of funding techniques is not all-inclusive. The State and federal government may agree on other types of funding techniques.

Clearance Patterns

A clearance pattern is a statistical model depicting the proportion of a total amount disbursed that is debited against the state treasury each day. The clearance pattern should show the percentage of funds clearing each day, starting the day of the check/warrant issuance, until less than one percent of the total amount issued remains outstanding. Any grant that is under CMIA must have a clearance pattern established.

Treasury-State Agreements

The U.S. Treasury, Financial Management Service, is charged with promulgating CMIA implementation regulations. To this end, a Treasury-State Agreement is entered into with each state to address those situations and circumstances that vary from state to state in the delivery of federal funds.

The Treasury-State Agreement between the State of Mississippi and the Secretary of the Treasury, United States Department of the Treasury, outlines the procedures that the State of Mississippi must follow in the administration of CMIA. This agreement documents the accepted funding techniques and methods for calculating interest agreed upon by the Federal government and the State. It is on file at DFA.

The Legislative Amendment

In amending the process to allow the use of interest free funding techniques, the Mississippi State Legislature modified Section 7-7-39, Miss. Code Ann. (1972), to eliminate the need for federal funds to be on deposit before making CMIA program payments. This amendment allows state agencies with federal grants within the federal dollar limitation to establish CMIA receivables for program expenditures when calculating cash availability.