

## Statewide Operating Policy

Owner: Minnesota Management and Budget, Financial Reporting Unit

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### **Federal Cash Management: Accounting for and Reporting on the Transfer of Funds between the Federal Government and the State**

#### **Objective**

To account for and report on the transfer of funds between the federal government and the state in accordance with the Cash Management Improvement Act (CMIA) of 1990, as amended. [Federal regulation 31 CFR Part 205 "Rules and Procedures for Efficient Federal-State Funds Transfers"](#) outlines the rules and procedures for efficient federal-state funds transfers.

#### **Policy**

Agencies must identify the transfer of funds for federal assistance programs by Assistance Listing Number (ALN) (formerly known as the Catalog of Federal Domestic Assistance (CFDA) number). Annually, agencies must report to Minnesota Management & Budget (MMB) the interest owed by either the state or federal government for those programs included in the Treasury-State Agreement (TSA).

The Cash Management Improvement Act (CMIA) of 1990, as amended, requires the timely transfer of funds between the federal government and the state and for the exchange of interest where transfers are not made timely. The objective of the CMIA is that, to the extent possible, programs will be interest-neutral, resulting in no interest gained or lost by either federal or state governments. States must minimize the time between the transfer of funds to the state and the payout of those funds for program purposes, and the federal government must strive to ensure that funds will be available when requested by the state. Parties are compensated when these requirements are not met.

CMIA regulations require each state to enter into a Treasury-State Agreement (TSA) with the U.S. Treasury. The TSA documents the accepted funding techniques and methods for calculating interest agreed upon by the federal and state governments as well as the federal assistance programs covered by the agreement. Agencies must notify MMB immediately when there are significant changes in federal program spending or drawdowns so that MMB can amend the TSA within the 30 day requirement.

CMIA regulations also require an annual report showing state and federal interest liabilities. States may also claim reimbursement of interest calculation costs on the annual report. The annual report is due by December 31 of each year and results in the exchange of interest with the U.S. Treasury for programs covered by the TSA. The basis for the annual report is the terms of the TSA. Essentially, if the terms are not followed, an interest liability is created for either the state or the federal government. Annually, agencies are required to report to MMB the state or federal interest liability and the interest calculation costs for inclusion in the report.

## Definitions

### **Cash Management Improvement Act (CMIA) of 1990, as amended**

This Act provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states.

### **Assistance Listing Number (ALN)**

A number established by the federal government and assigned to identify each federal program provided for in a federal appropriation. This was formerly known as the Catalog of Federal Domestic Assistance (CFDA) number.

## Related Policies and Procedures

[MMB Statewide Operating Procedure 0402-01.1, Federal Cash Management](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-01-01-federal-cash-management-procedure.docx): Accounting for and Reporting on the Transfer of Funds between the Federal Government and the State (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-01-01-federal-cash-management-procedure.docx>)

[MMB Statewide Operating Policy 0402-02, Single Audit](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-02-single-audit-policy.docx): Accounting for and Reporting of Federal Financial Assistance (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-02-single-audit-policy.docx>)

[MMB Statewide Operating Policy 0402-03, Single Audit](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.docx): Responsibilities Concerning Sub-recipients of Federal Financial Assistance (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-4/0402-03-single-audit-subrecipient-policy.docx>)

[MMB Statewide Operating Policy 0102-01, Internal Control](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0102-01-internal-control-policy.docx): (<http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0102-01-internal-control-policy.docx>)