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UTAH DEPARTMENT OF GOVERNMENT OPERATIONS

Cash Management Improvement Act (CMIA)

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Cash Management Improvement Act (CMIA) provides the general rules and procedures for the **efficient** transfer of funds for federal financial assistance programs between the federal government and the states.



Objectives



- ▷ **Efficiency** — To minimize the time between the transfer of funds to the States and the payout for program purposes
- ▷ **Effectiveness** — To ensure that federal funds are available when requested
- ▷ **Equity** — To compensate the federal government and/or the States for the lost value of funds



What do CMIA Rules Prevent?

States drawing federal funds upfront, in advance of need

The federal government providing late/delayed funding



CMIA Overview

- ▷ Codified: [31 CFR 205](#)
- ▷ § 205.1 Federal assistance programs covered
- ▷ § 205.2 Definitions
 - business day, clearance pattern, day, drawdown, major federal assistance program, rebate, refund, Treasury-State Agreement, etc.
- ▷ § 205.3-.31 Rules for programs included in a Treasury-State Agreement
- ▷ § 205.32-.35 Rules for programs NOT included in a Treasury-State Agreement



The TSA is the Contract that Governs the Flow



Components of the Agreement (§ 205.9)

Who:
State agencies & fiscal agents.

What:
Covered Federal assistance programs.

How:
Funding techniques & clearance patterns.

Math:
Interest calculation methods.

Defining the scope of assistance

The agreement identifies the Federal assistance programs governed by this subpart A.



State agencies with programs covered by the FY2026 TSA:

DHHS, DOT, VMA, DWS, USBE

4.2 The State's threshold for major Federal assistance programs is \$43,021,211.

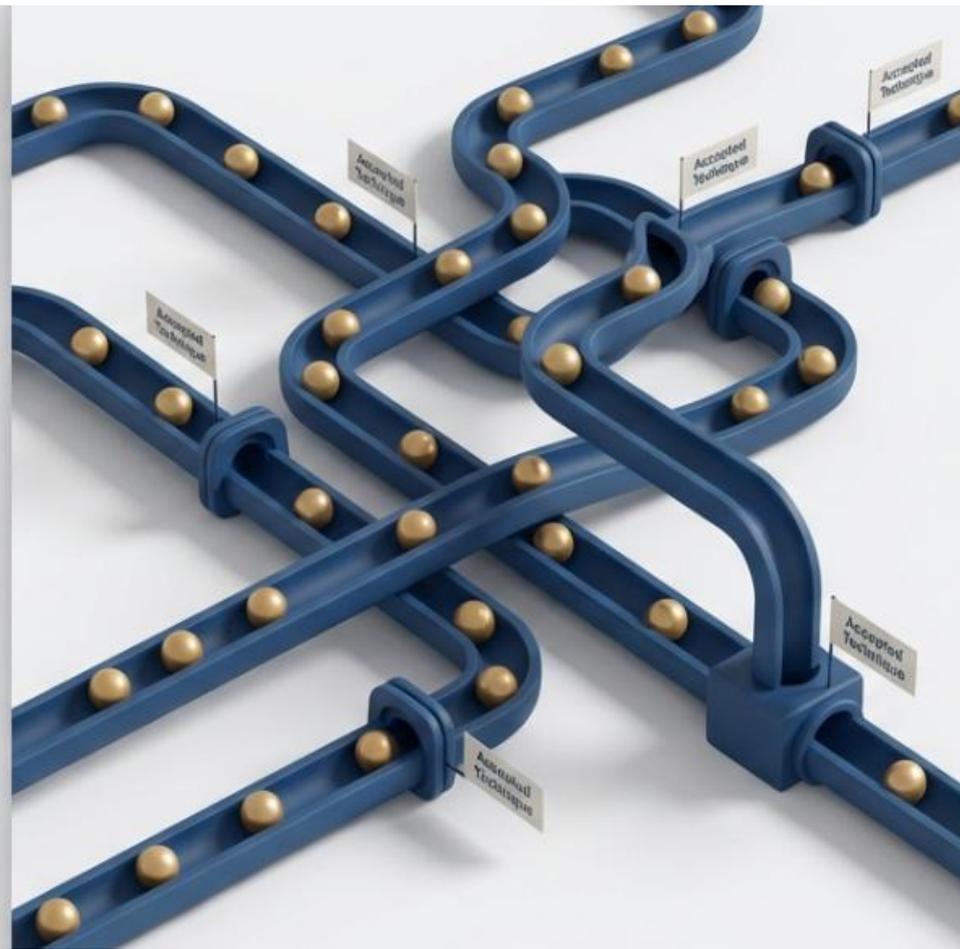
The following programs meet or exceed the threshold and are not excluded in Section 4.4:

CFDA	Program Name
10.551	Supplemental Nutrition Assistance Program
10.555	National School Lunch Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
17.225F	Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225S	Unemployment Insurance -- State Benefit Account
20.205	Highway Planning and Construction
64.015	Veterans State Nursing Home Care
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education -- Grants to States
84.425	Education Stabilization Fund
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.767	Children's Health Insurance Program
93.778	Medical Assistance Program



Establishing the flow of funds

The agreement documents the **Accepted** funding techniques.



§ 205.10-12 What is a funding technique?

Funding Technique: a method agreed upon for the efficient and "interest-neutral" transfer of federal funds.

- ▶ Must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs
- ▶ Techniques can differ depending on whether the state makes payments by EFTs, warrants/checks, or paid through some other mechanism.
- ▶ Funding techniques often rely on "clearance patterns," which are projections of how quickly funds (like checks or electronic transfers) will clear the state's bank account after being issued or disbursed.



Choosing How Money Moves: Funding Techniques

Zero Balance Accounting



Just-in-Time. Federal transfer equals exact payout amount on the same day.

Projected Clearance



Estimated. State requests funds based on statistical clearance patterns of when checks clear.

Reimbursable Funding



State Pays First. State uses own funds, Federal agency reimburses later.

Customized Funding Techniques

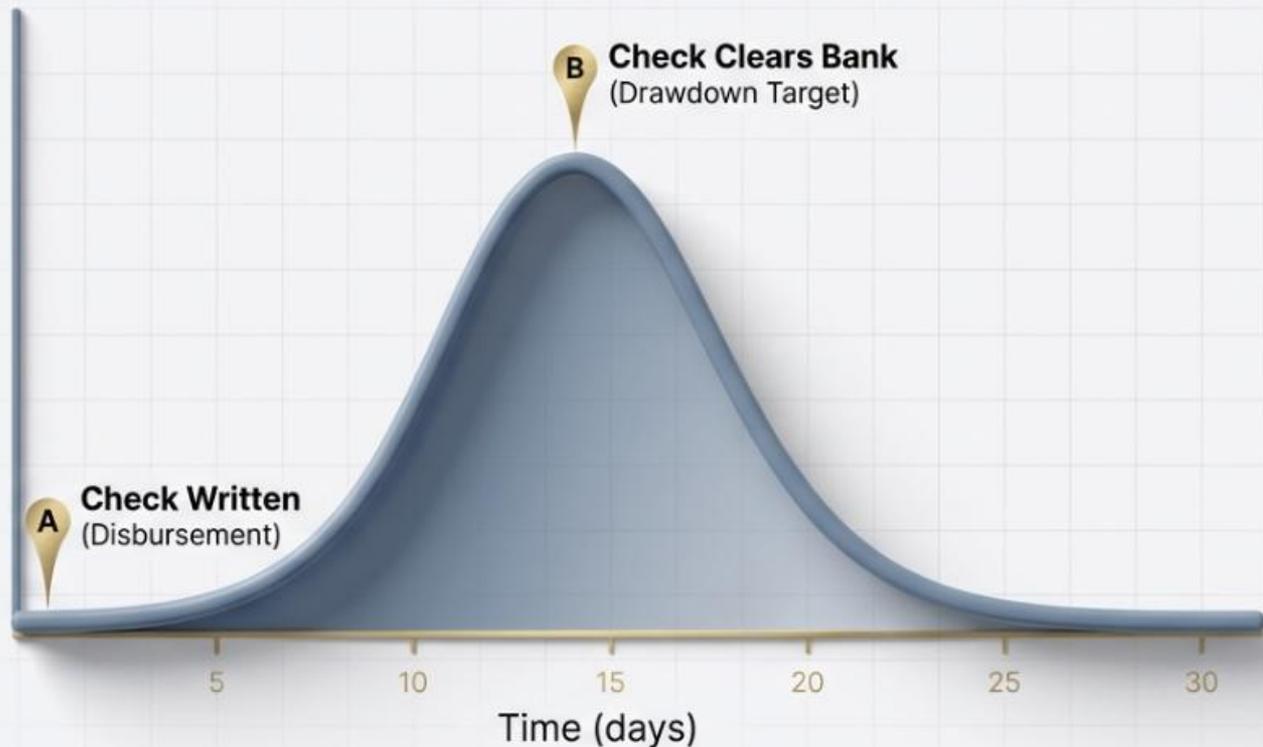
- ▶ **Administration Costs Funding Technique:** Admin warrants clear within **7 dollar-weighted business days**. Most State agencies run weekly reports of all admin expenditures for the previous week. For a Monday through Friday report period, assuming an equal number of warrants are disbursed prior to and after Wednesday, Wednesday is assigned as the day of issuance for all warrants. The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance from the day of issuance.
- ▶ Assuming no holidays, if an expenditure report is run on Monday for the previous week's warrants, the 7th day from Wednesday the previous week would be Friday of the current week. Request federal draws to be deposited to state bank accounts on Friday.



Previous Week						Current Week					
M	T	W	Th	F	S	S	M	T	W	Th	F
			1	2			3	4	5	6	7

Visualizing the Lag: Clearance Patterns

When does the money actually leave the bank?



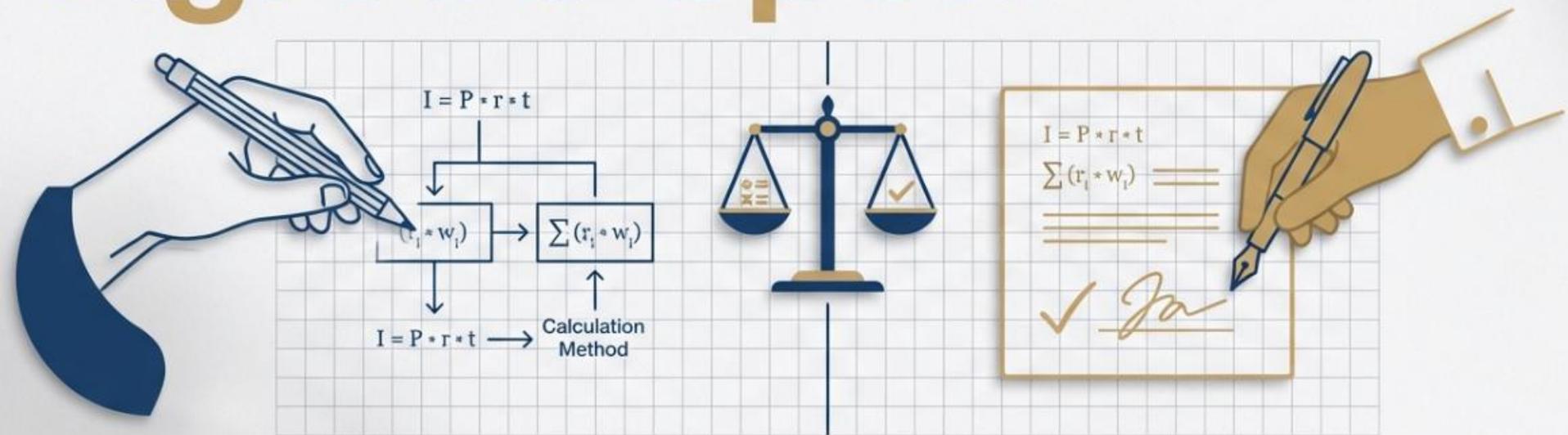
Clearance Pattern Standards (§ 205.20):

- **Data:** Based on 3+ consecutive months.
- **Coverage:** Must track until 99% of dollars are paid out.
- **Precision:** 96% confidence interval (± 0.25 days).

Agreeing on the math

Methods for calculating interest agreed upon by us and a State.

Agreed Upon

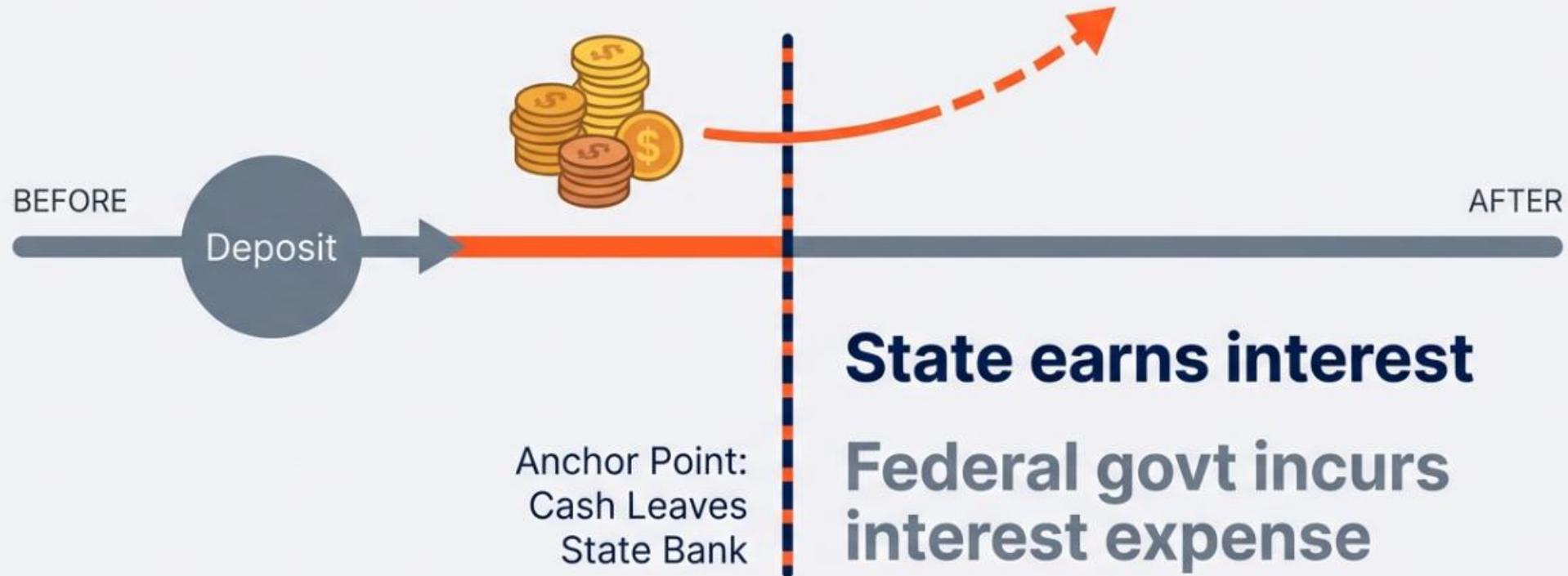


Timing determines liability.

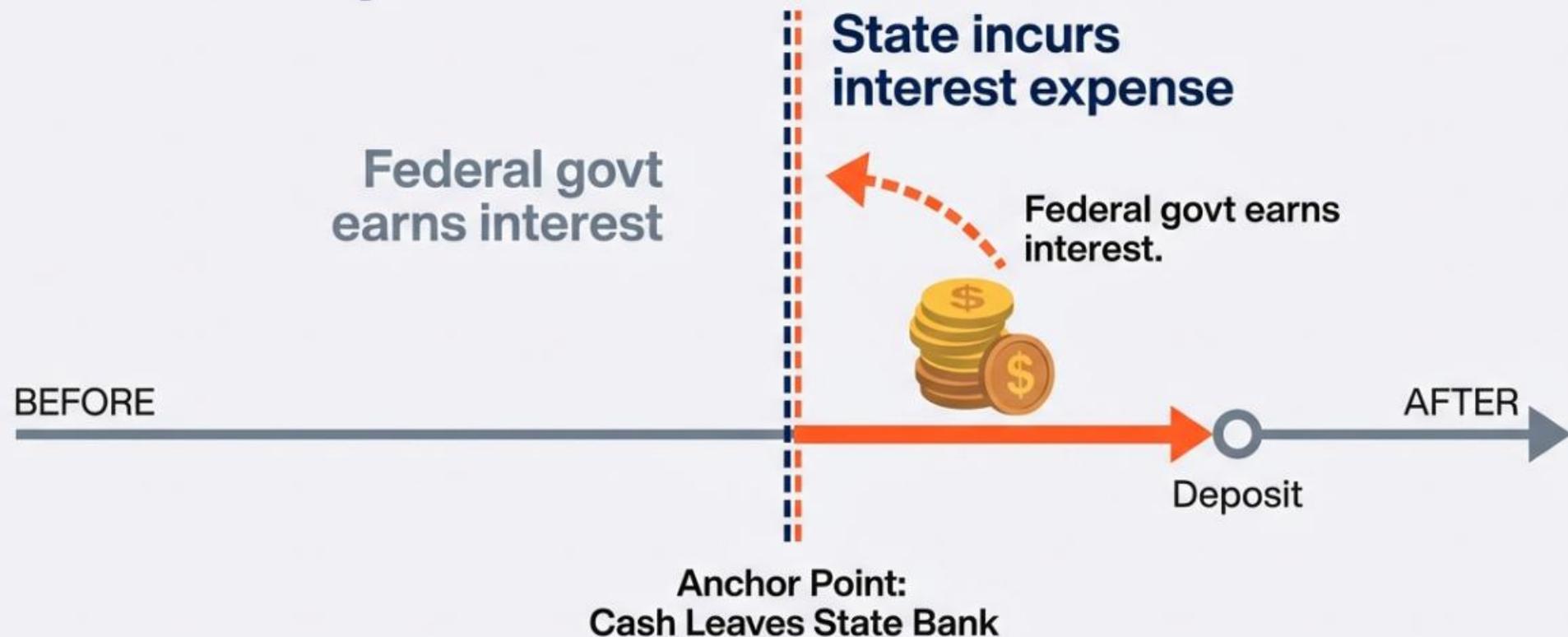
Interest liability falls on whichever party holds the cash while the other waits. The goal is neutrality: funding the program exactly when the cash leaves the bank.



Holding the cash creates a liability for the State.



The State floats the cost, reversing the liability.



Federal draw deposited in state bank...

Before cash leaves the state bank	Same day cash leaves the state bank	After cash leaves the state bank
State earns interest Federal govt incurs interest expense	No interest earned or incurred	State incurs interest expense Federal govt earns interest
= State Liability	No Liability	= Federal Liability



Interest Calculation Example

FY2025 Interest rates=4.58% annualized, .01255% daily
(<https://fiscal.treasury.gov/cmia/resources-annual-interest-rates.html>)

\$1,000,000 at 1 day interest = \$126

\$1,000,000 at 10 days interest = \$1255

\$5,000,000 at 1 day interest = \$628

\$5,000,000 at 10 days interest = \$6,275

\$10,000,000 at 1 day interest = \$1,255

\$10,000,000 at 10 days interest = \$12,550



The Annual Accountability Cycle



Annual Report Due.
Accounts for the
previous fiscal year.



Settlement.
Interest payments
exchanged.

The Treasury offsets State liability against Federal liability
to determine the net payment direction.

Summary: The Equilibrium of Federal Assistance



Neutrality: The goal is zero net gain/loss on interest.

Agreement: The TSA is the governing contract.

Precision: Funding techniques synchronize cash flow.

Accountability: Annual reporting settles the score.

▷ § 205.32-.35 Subpart B—Rules Applicable to Federal Assistance Programs **Not** Included in a Treasury-State Agreement

§ 205.33(a) **A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes.** A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers **must be as close as is administratively feasible** to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. **States should exercise sound cash management in funds transfers to subgrantees** in accordance with OMB Circular A-102 (For availability, see 5 CFR 1310.3.).



14-1: Cash Management Improvement Act (CMIA) compliance

finance.utah.gov/state-agency-resources/policies/

01 - Employee payments



12 - Internal service funds



02 - General accounting



13 - Cash receipts



03 - Budgets



14 - Grant accounting



04 - Purchasing



→ 14-1: Cash Management Improvement Act (CMIA) compliance



State Finance Responsibilities

- ▶ Annually
 - Submit Annual Treasury-State Agreement (TSA), based on state's fiscal year
 - December 31: Submit Annual Report (federal interest liabilities, state interest liabilities, state direct cost claims)
 - March 31: Annual interest exchange, based on approved Annual Report
- ▶ Every 5 years
 - Recalculate clearance patterns



State Agency Responsibilities

- ▶ Review draft TSA for your covered programs
 - Funding techniques match how actual draws are made
 - Clearance patterns make sense
 - Any other changes needed
- ▶ Develop TSA compliance policies
- ▶ During the year, ensure draws are made according to
 - Covered: TSA funding techniques
 - Not covered: 31 CFR 205.33(a)
- ▶ Report noncompliance
- ▶ Provide draw documentation to State Finance (e.g., draw system records, query methodology, dates expenditures were paid, payment method, dates draws are requested, due date for federal reimbursement, date of deposit of drawdown)



What do State Agencies need to know/do?

- ▶ Understand what is meant by “minimize the time between the transfer of funds to the States and the payout for program purposes”
- ▶ Take an active role in developing of your funding technique
 - Make sure it accurately describes your current draw process
 - Understand the interest cost of your funding techniques
- ▶ Know your responsibilities per State Policy 14-1. Take time to familiarize yourself and ask any needed questions
- ▶ Become familiar with applicable parts of 31 CFR 205
 - Be aware of program level exceptions
 - Is your federal program covered by the TSA?
 - What do you need to consider for your programs that are not covered by the TSA?
- ▶ Consequences of noncompliance: denial of interest claims, denial of cost reimbursement, making programs subject to the TSA



Single Audit – Cash Management

1. For programs tested as major, verify **which of those programs are covered by the Treasury-State Agreement** in accordance with the materiality thresholds in 31 CFR 205.5, Table A.
2. For those programs identified in procedure 1, determine the **funding techniques** used for those programs. For those funding techniques that require **clearance patterns** to schedule the transfer of federal funds to the state, review documentation supporting the clearance pattern and verify that the clearance pattern conforms to the requirements for developing and maintaining clearance patterns as specified in the Treasury-State Agreement (31 CFR 205.12, 205.20, and 205.22).
3. Select a sample of federal cash draws and **verify that the timing of the federal cash draws** was in compliance with the applicable funding techniques specified in the Treasury-State Agreement or Subpart B procedures, whichever is applicable (31 CFR 205.11 and 205.33).
4. **Review the calculation of the interest obligation** owed to or by the federal government, reported on the annual report submitted by the state to ascertain that the calculation was in accordance with Treasury regulations and the terms of the Treasury-State Agreement. Trace amounts used in the calculation to supporting documentation.



Useful Links

- ▷ <https://fiscal.treasury.gov/cmia/>
- ▷ Codification of CMIA: [31 CFR 205](#)
- ▷ State Cash Management Policy: [14-1: Cash Management Improvement Act \(CMIA\) compliance](#)



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Thank You