



STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

January 5, 2018

FINANCE MEMORANDUM

MEMO NO. 18-01

TO: All Department Heads

FROM: Laurel A. Johnston *Laurel Johnston*
Acting Director of Finance

SUBJECT: Cash Management Policy for Federal Funds

All State of Hawaii departments that draw federal funds shall adhere to the regulations found in the Federal Cash Management Improvement Act (CMIA), 31 CFR 205

- A. For federal programs **covered** under the State's CMIA Treasury-State Agreement (TSA), the terms of the TSA shall prevail. The rules applicable to the federal programs covered in a TSA Agreement are codified in 31 CFR 205, Subpart A. The TSA Agreement is negotiated by the State with the U.S. Treasury after the end of each State Fiscal Year and lists the covered CFDA Programs.
- B. For federal programs **not covered** under the State's CMIA Treasury-State Agreement (TSA):
1. Applicable rules are codified in 31 CFR 205, Subpart B, §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)."
 - (b) "Neither a State nor the Federal government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this subpart B."

2. The following additional State policies shall apply to all State of Hawaii department that draw federal funds.

a. Minimum Draw Down Requirements

The following draw down requirements are the minimums allowable under this policy. If a department's existing draw practices result in federal funds being deposited more frequently than the minimums described below, the department should continue to follow those practices. In no case should a department use the following minimum requirements as a basis for drawing in federal funds less frequently than their current practice.

b. Programs with projected federal expenditures equal to or more than \$250,000 during a State Fiscal Year:

- Funds shall be drawn at least monthly.
- Federal draw requests should be made to the appropriate federal agency no later than 15 business days following the month of expenditure. More frequent draws are encouraged.
- For programs where payroll expenditures comprise a significant portion of the expenses, departments and agencies are encouraged to draw in federal funds on a bi-weekly basis to coincide with the State's payroll processing.

c. Programs with projected federal expenditures of less than \$250,000 during a State Fiscal Year:

- Funds shall be drawn in at least quarterly.
- Federal draw requests should be made to the appropriate federal agency no later than 30 business days following the quarter of expenditure. More frequent draws are encouraged.

d. Programs with irregular expenditure patterns or expenditures that fluctuate seasonally:

- Funds shall be drawn in when cumulative expenditures equal or exceed \$50,000.
- Federal draws requests should be made to the appropriate federal agency no later than 15 business days following the month when expenditures reach the \$50,000 level. For extended periods when expenditures do not exceed \$50,000, funds must be drawn in no less frequently than quarterly.

e. Reconciling draws for programs drawn in whole or in part using estimates:

- Reconciling draws must occur at least quarterly. A reconciling draw is a federal draw request that is calculated by taking the difference between actual expenses incurred and funds received during the period. If draws are calculated using only actual federal expenses for the period, a reconciling draw is not necessary.

f. Waivers and Exceptions

- **Exceptions**
If federal regulations prevent compliance with this guideline, the Director of Finance must be notified in writing, along with a copy of the federal regulation, instruction, or ruling documenting the prohibition. A description of the proposed alternative procedures to be used must accompany this documentation.
- **Waivers**
The Director of Finance may grant a waiver from the requirements of this policy on a case-by-case basis. Waiver requests must be submitted in writing and must include the CFDA number and name of the program, a description of the alternative procedures being proposed, and a justification as to why the terms of the policy cannot be met. Waivers are at the sole discretion of the Director of Finance and not all waiver requests will be approved.

g. Monitoring

The Office of Federal Awards Management will monitor compliance with this policy on an ongoing basis.

h. Effective Date

This policy will be effective January 12, 2018.

Please contact Mr. Mark Anderson at (808) 586-3035 or mark.k.anderson@hawaii.gov if you have any questions.

- c: Rod Becker, Comptroller, Department of Accounting and General Services
Wayne Horie, Department of Accounting and General Services, Accounting Div.
Mark Anderson, Department of Budget and Finance, Office of Federal Awards Management