



**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

May 8, 2018

FINANCE MEMORANDUM

MEMO NO. 18-06

TO: All Department Heads

FROM: Laurel A. Johnston  
Director of Finance 

SUBJECT: Cash Management Improvement Act for Federal Funds - Annual Interest Exchange Policies

As mentioned in Finance Memorandum (F.M.) No 17-08, dated July 28, 2017, Federal Funds – Cash Management Improvement Act (CMIA)” and F.M. No. 18-01, dated January 5, 2018, “Cash Management Policy for Federal Funds”, all State of Hawaii departments that draw Federal funds must adhere to the regulations found in the CMIA, 31 CFR 205. The 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.

Subpart A of the CMIA stipulates the rules and requirements that are applicable to major assistance programs (large-dollar programs). This memorandum conveys the State’s process and policy regarding the settlement of Federal and State Net Liabilities as determined through the “Annual Interest Exchange” process described in Item No. 3 below.

Below are three requirements of Subpart A to be fulfilled by the Office of Federal Awards Management (OFAM) each State fiscal year.

- 1) **Treasury-State Agreement (TSA):** An annual agreement must be submitted to the U.S. Treasury, Bureau of Fiscal Services (BFS) to identify the major assistance programs (large dollar programs) and how Federal fund transfers will take place for these programs.
- 2) **Annual Report:** The report must be submitted to the U.S. Treasury, BFS by December 31 of each year and is comprised of the Interest Claims Report, a calculation of Federal and State interest liability for the major assistance programs identified in the TSA and the State’s Interest Calculations Costs claims.

**3) Annual Interest Exchange:**

- A. After reviewing the Annual Report, the BFS will issue a response to the Director of Finance regarding the amount of the Federal and State interest liabilities as calculated by the State.
- B. If the BFS indicates that there is a net State Interest Liability due, the Director of Finance, through OFAM, will work with the BFS until concurrence is reached. Subsequently, the Department of Budget and Finance (B&F), Financial Administration Division, will front the funds to wire payment to the U.S. Treasury, BFS which is due by March 31 each year. The Director of Finance will then issue a memorandum to each of the respective departments specifying the amount of the interest liability for their programs to be reimbursed to B&F.
- C. In general, if a department has a Federal Interest Liability (credit), the amount will be used to offset any State Interest Liability for that department first then used to offset State Interest Liabilities for other departments.
- D. Should there be Federal Interest Liabilities remaining after all State Interest Liabilities have been offset, the resulting Federal reimbursement will be deposited and retained in B&F's general fund account.

Should you have any questions, please contact Mr. Mark Anderson of OFAM at 586-3035.

c: Mr. Scott Kami, B&F, Financial Administration Division  
Mr. Mark Anderson, B&F, OFAM