

**STATE OF TENNESSEE**

**CASH MANAGEMENT IMPROVEMENT ACT**

**ANNUAL REPORT  
TO THE STATE FUNDING BOARD**

**FOR STATE FISCAL YEAR 2011 - 2012**

**PREPARED BY**  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
Division of Accounts

**STATE OF TENNESSEE  
CASH MANAGEMENT IMPROVEMENT ACT (CMIA)**

**ANNUAL REPORT TO THE STATE FUNDING BOARD  
FOR STATE FISCAL YEAR 2011-2012**

**TABLE OF CONTENTS**

Executive Summary

Exhibit A – CMIA Coverage for State Fiscal Year 2011-2012

Schedule of Interest Liabilities – Projected Interest Exchange

Annual Report Procedures

Explanation of Interest Liabilities by Program

Labor and Workforce Development  
TennCare

Direct Costs

## Executive Summary

The Cash Management Improvement Act of 1990 (Public Law 102-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), governs the transfer of funds between the Federal Government and states. The legislation was enacted to address issues of equity in the exchange of funds between the Federal Government and states. Specific objectives of the legislation are to minimize the time elapsing between the transfer of funds and to exchange interest in instances where funds are not transferred in a timely manner. The State of Tennessee Cash Management Improvement Act (CMIA) Agreement with the U.S. Treasury in State fiscal year 2011-2012 covered **16** Federal programs, with funding of at least **\$60,000,000.00**. See Exhibit A for a list of covered programs, State recipient agencies, and FY 2012 disbursements.

State interest liabilities for FY 2012 equal **\$13,624.00** and Federal interest liabilities equal **\$5,879.00**. Department summaries include more detail regarding these amounts. Please note that FMS requires that the net interest (interest earned less banking costs) earned by the Unemployment Insurance Trust Fund (CFDA 17.225) be reported as a State interest liability to be included in the interest exchange calculations. The net interest earned and reported for the Unemployment Insurance program is **\$7,186.00** and that amount is included in the State interest liability noted above.

The State has approximately **\$23,157.00** eligible for direct cost reimbursement through the month of October 2012. The direct costs for November 2012 will be added to this amount and the total reported to U.S. Treasury FMS as a part of the annual report. The direct costs eligible for reimbursement are calculated by Edison based on hours that staff record to the CMIA allowable Edison Task Profiles for Interest Reporting and Clearance Pattern Monitoring.

The State generally complied with the terms of the CMIA Agreement during the period. A compliance exception is considered to occur whenever there is a difference between the date that Federal revenue should have been received and the date that Federal revenue were received by State Treasury. Immaterial differences are generally not considered an exception.

According to the CMIA Agreement, the Federal Government generally incurs an interest liability when the State pays out its own funds for program purposes with valid obligational authority before Federal funds are credited to a State account. The State incurs an interest liability when Federal funds are deposited into a State account pending payment for program purposes. The State is required to submit an Annual Report to the U.S. Department of the Treasury, Financial Management Service, by December 31, 2012 for State fiscal year 2012. Also included in the Annual Report is the State's claim for direct costs that are reimbursable by the Federal Government. Eligible costs include costs incurred in calculating the interest liabilities, monitoring clearance patterns, and preparing the Annual Report. Interest is scheduled to be exchanged March 31, 2013.

If it can be demonstrated that the State has materially failed to comply with its CMIA Agreement, the FMS may request a Federal agency or the General Accounting Office to conduct an audit of the State to determine interest owed to the Federal Government and to implement procedures to recover such interest. The FMS may also deny the reimbursement of all or part of the State's direct cost claim or take other legal remedies. If the State repeatedly or deliberately fails to request funds in accordance with the procedures in the CMIA Agreement, the FMS may also deny the State any resulting Federal interest liability. The State's implementation of CMIA is subject to audit in accordance with Chapter 75 of Title 31, United States Code, "Requirements for Single Audits".

**EXHIBIT A - CMIA COVERAGE FOR STATE FISCAL YEAR 2011-2012**

<b>CFDA</b>	<b>FEDERAL PROGRAM</b>	<b>STATE RECIPIENT AGENCY</b>	<b>EXPENDITURES</b>
10.551	Supplemental Nutrition Assistance Program	Human Services	2,075,107,520.68
10.553	School Breakfast Program	Education	85,469,184.10
10.555	National School Lunch Program	Education	235,931,435.07
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Health	154,185,149.86
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Human Services and Labor and Workforce Development	51,721,584.78
17.225	F Unemployment Insurance --Federal Benefit Account and Other Federal Funds	Labor and Workforce Development	676,689,504.28
17.225	S Unemployment Insurance --State Benefit Account	Labor and Workforce Development	505,055,135.84
20.205	Highway Planning and Construction	Transportation	948,310,056.10
84.010	Title I Grants to Local Educational Agencies	Education	281,690,732.00
84.027	Special Education--Grants to States	Education	243,253,049.28
93.558	Temporary Assistance for Needy Families	Human Services	152,279,919.60
93.568	Low Income-Home Energy Assistance	Human Services	63,264,971.07
93.575	Child Care and Development Block Grant	Human Services	68,896,749.07
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	90,687,752.58
93.767	Children's Health Insurance Programs	TennCare	142,733,000.60
93.778	Medical Assistance Program	TennCare	6,264,553,290.99
96.001	Social Security --Disability Insurance	Human Services	65,086,632.56
	Grand Total		12,104,915,668.46

STATE OF TENNESSEE  
SCHEDULE OF INTEREST LIABILITIES  
STATE FISCAL YEAR 2011 - 2012

CFDA	State Agency	Federal Program	Federal Liability (3)	State Liability (2)	State PY Adjustments	Federal PY Adjustments	Net Liability (1)
10.551	DHS	Supplemental Nutrition Assistance Program	0.00	0.00	0.00	0.00	0.00
10.553	Education	National School Breakfast Program	31.00	1.00	0.00	0.00	30.00
10.555	Education	National School Lunch Program	92.00	3.00	0.00	0.00	89.00
10.557	Health	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Administration	1.00	22.00	0.00	0.00	(21.00)
10.561	DHS	Supplemental Nutrition Assistance Program Administration	20.00	76.00	0.00	0.00	(56.00)
17.225	LWFD	Unemployment Insurance-Federal	1,130.00	7,220.00	0.00	0.00	(6,090.00)
17.225	LWFD	Unemployment Insurance -State	0.00	30.00	0.00	0.00	(30.00)
20.205	TDOT	Highway Planning and Construction	378.00	109.00	0.00	0.00	269.00
84.010	Education	Chapter I Programs - Local Education Agencies	0.00	1.00	0.00	0.00	(1.00)
84.027	Education	Special Education - State Grants	1.00	1.00	0.00	0.00	0.00
93.558	DHS	Temporary Assistance for Needy Families	8.00	0.00	0.00	0.00	8.00
93.568	DHS	Low-Income Home Energy Assistance	98.00	25.00	0.00	0.00	73.00
93.575	DHS	Child Care Development Block Grant	17.00	2.00	0.00	0.00	15.00
93.596	DHS	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	111.00	0.00	0.00	0.00	111.00
93.767	TennCare	Children's Health Insurance Program	0.00	0.00	0.00	0.00	0.00
93.778	TennCare	Medical Assistance Program	3,991.00	6,081.00	0.00	0.00	(2,090.00)
96.001	DHS	Social Security-Disability Insurance	1.00	53.00	0.00	0.00	(52.00)
			\$ 5,879.00	\$ 13,624.00	\$ -	\$ -	\$ (7,745.00)

NOTES:

- (1) A positive indicates a Federal interest liability.
- (2) A State interest liability is incurred from the deposit date until the funds are expended, or from the deposit date until the funds are credited back to the federal government.
- (3) A Federal interest liability is incurred from the date that funds are expended for program purposes until the date that federal funds are deposited in the State bank account.
- (4) The FY 2012 interest rate for states with a July to June fiscal year is 0.05 percent (0.0005).
- (5) The State interest liability for Medical Assistance was due to TennCare drawing federal funds to have on hand when a federal shutdown was expected. State interest was calculated for the 11 days that it took the agency to spend down the funds. The Federal interest liability was due to funds not being available to draw.
- (6) The State interest liability for CFDA 17.225 (Unemployment Insurance Program) includes \$7,186 in net interest earnings (interest earnings of \$10,656 less banking costs of \$ 3,470).

Plus Direct Cost

23,157.00

\$ 15,412.00

\$ -

\$ 15,412.00

FY2012 FEDERAL LIABILITIES EXPECTED TO BE DENIED		
CFDA	Program	Amount
	Because all of the federal interest liabilities are less than \$5,000, no further explanation is required in the annual report. It is expected that all federal interest liabilities will be paid.	\$ -
* Federal interest liabilities expected to be denied were due to State non-compliance, departmental accounting errors and recording practices, or because the State agency could not provide adequate or clear documentation to support the Federal interest liability.		

EXPECTED INTEREST EXCHANGE FOR FISCAL YEAR 2012

## **Annual Reporting Procedures**

### **Automated Annual Reports via the Internet**

The Cash Management Improvement Act System (CMIAS) is the annual report electronic transmittal mechanism provided by FMS for the Fiscal Year 2012 Annual Reports. It is accessible via the Internet.

Once the data regarding interest liabilities, explanations of interest liabilities, and direct costs data are entered on-line, the Annual Report will be generated. The automated transmittal can then be printed for the Commissioner's signature and then mailed to FMS. A copy of the automated transmittal will also be provided to the State Funding Board Staff.

The State is required to provide a written explanation to the U.S. Treasury, Financial Management Service (FMS) for all Federal interest liabilities in excess of \$5,000 and for all prior year interest liability adjustments. Information regarding all State interest liabilities in excess of \$5,000 is also provided to the State Funding Board in this report.

## Explanation of CMIA Interest Liabilities by Program

This document explains the federal interest liabilities over \$5,000.00 for each CFDA as required by FMS. An explanation is given for state interest liabilities over \$5,000.00 for each CFDA for informational purposes to the State Funding Board.

### CFDA 17.225 – Unemployment Insurance

There is a total Federal interest liability in the amount of \$1,130.00 and a total State interest liability of \$7,220.00 reported for this program.

Bank administrative fee charges of \$3,470.00 and interest earnings of \$10,656.00 will also be reported for this program. The net interest earnings in the amount of \$7,186.00 are included in the State interest liability noted above.

### TennCare

#### CFDA 93.778 – Medical Assistance Program

There is a total Federal interest liability in the amount of \$3,991.00 and a State interest liability in the amount of \$6,081.00 reported for this program.

Of the State interest liability for the Medical Assistance Program, \$6,048.00 was due to TennCare drawing federal funds to have on hand when a federal shutdown was expected. State interest was calculated for the 11 days that TennCare spent down the overdrawn federal funds.

Date	Total Balance of Overdrawn Funds	Total State Interest Liability Generated by Overdrawn Funds
08/01/11	(405,000,000.00)	3,994.52
08/02/11	(73,539,676.79)	241.77
08/03/11	(73,535,516.33)	241.76
08/04/11	(60,853,394.14)	200.07
08/05/11	(55,096,855.45)	181.14
08/08/11	(55,092,541.58)	543.38
08/09/11	(55,974,405.90)	184.03
08/10/11	(46,646,428.16)	153.36
08/11/11	(28,237,925.81)	92.84
08/12/11	(28,885,680.94)	94.97
08/15/11	(11,638,009.82)	114.79
08/16/11	(1,600,087.74)	5.26
		6,047.87

No prior period adjustment is reported for this program.

**Direct Costs**

The direct costs of calculating the interest liabilities, monitoring clearance patterns, and preparing the 2012 CMIA Annual Report are **\$23,157.00** as of the end of October 2012.