

PERFORMANCE AUDIT  
OF THE  
FEDERAL CASH MANAGEMENT IMPROVEMENT ACT PROGRAM

DEPARTMENT OF TREASURY

October 1998

27-605-98

## EXECUTIVE DIGEST

# FEDERAL CASH MANAGEMENT IMPROVEMENT ACT PROGRAM

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### INTRODUCTION

This report, issued in October 1998, contains the results of our performance audit\* of the Federal Cash Management Improvement Act Program, Department of Treasury.

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\* .

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### BACKGROUND

The federal Cash Management Improvement Act (CMIA) of 1990, as amended, and the associated federal regulations require agreements between the states and the Secretary of the Treasury, U.S. Department of Treasury. The Michigan Department of Treasury, as State coordinator, has entered into agreements on behalf of the State of Michigan. These agreements primarily describe the methods to be used to request federal funds and require the payment of interest by either party if funds are not received on a timely basis.

\* See glossary on page 12 for definition.

The Department of Treasury's responsibilities include ensuring that all applicable federal programs are included in the agreements, performing draws of federal funds for selected programs, developing check clearance patterns for State disbursements, performing interest calculations when applicable, submitting claims for reimbursement of direct costs for implementing CMIA, and submitting an annual report to the U.S. Department of Treasury.

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**AUDIT OBJECTIVES  
AND CONCLUSIONS**

**Audit Objective:** To assess the effectiveness of the Department's efforts as the State coordinator for the CMIA agreements and to ensure that all applicable federal programs were included in the agreements.

**Conclusion:** We concluded that the Department was effective as the State coordinator for the CMIA agreements and in ensuring that all applicable federal programs were included in the agreements. Our report does not include any reportable conditions\* related to this objective.

**Audit Objective:** To assess the effectiveness of the Department's procedures related to developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury.

**Conclusion:** We concluded that the Department's procedures related to developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury were effective. Our report does not include any reportable conditions related to this objective.

\* See glossary on page 12 for definition.

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the federal Cash Management Improvement Act program records of the Department of Treasury. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our audit objectives, we examined agency procedures and records for the period October 1, 1996 through September 30, 1997. Our audit methodology included an analysis of procedures and documentation used to develop the CMIA agreements and check clearance patterns. We obtained financial data and verified the calculation of interest owed to or due from the federal government. Also, we examined the annual report and the procedures and documentation supporting submission of the annual report.

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Mr. Douglas B. Roberts  
State Treasurer  
Treasury Building  
Lansing, Michigan

Dear Mr. Roberts:

This is our report on the performance audit of the Federal Cash Management Improvement Act Program, Department of Treasury.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology; comments; and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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## Description of Agency

The federal Cash Management Improvement Act (CMIA) of 1990, as amended, and the associated federal regulations are designed to ensure fairness between the federal government and the states with regard to the use of federal and state funds for federally mandated programs.

CMIA and related regulations require agreements between the states and the Secretary of the Treasury, U.S. Department of the Treasury. The Michigan Department of Treasury, as State coordinator, has entered into agreements on behalf of the State of Michigan. The first agreement covered fiscal year 1993-94 and the second agreement covers the five fiscal years ending September 30, 1999. These agreements primarily describe the methods to be used to request federal funds and require the payment of interest by either party if funds are not received on a timely basis.

The Department of Treasury and the other State departments share the responsibility for complying with the CMIA agreements.

The Department of Treasury's responsibilities include ensuring that all applicable federal programs are included in the agreements, performing draws of federal funds for selected programs, developing check clearance patterns for State disbursements, performing interest calculations when applicable, submitting claims for reimbursement of direct costs for implementing CMIA, and submitting an annual report to the U.S. Department of Treasury.

## Audit Objectives, Scope, and Methodology

### Audit Objectives

Our performance audit of the Federal Cash Management Improvement Act (CMIA) Program, Department of Treasury, had the following objectives:

1. To assess the effectiveness of the Department's efforts as the State coordinator for the CMIA agreements and to ensure that all applicable federal programs were included in the agreements.
2. To assess the effectiveness of the Department's procedures related to developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury.

### Audit Scope

Our audit scope was to examine the federal Cash Management Improvement Act program records of the Department of Treasury. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The cash management practices used by the individual State departments are examined during our separate financial audits, including the provisions of the Single Audit Act, of those departments.

### Audit Methodology

To accomplish our objectives, we examined agency procedures and records for the period October 1, 1996 through September 30, 1997. Our audit work was performed between December 1997 and July 1998.

To assess the effectiveness of the Department's efforts as the State coordinator for the CMIA agreements and to ensure that all applicable federal programs were included in the agreements, we analyzed the procedures and the documentation used to develop the CMIA agreement covering fiscal year 1996-97.

To assess the effectiveness of the Department's procedures related to developing check clearance patterns, we reviewed the various procedures and the documentation used to develop the clearance patterns for fiscal year 1996-97.

To assess the effectiveness of the Department's procedures related to performing interest calculations, we obtained financial data received from other State departments and verified the calculation of interest owed to or due from the federal government for fiscal year 1995-96.

To assess the effectiveness of the Department's procedures related to submitting an annual report to the U.S. Department of Treasury, we examined the procedures, the annual report, and the documentation supporting the report submitted for fiscal year 1995-96.

## COMMENTS

### EFFECTIVENESS OF THE DEPARTMENT'S EFFORTS

#### COMMENT

**Audit Objective:** To assess the effectiveness of the Department of Treasury's efforts as the State coordinator for the Cash Management Improvement Act (CMIA) agreements and to ensure that all applicable federal programs were included in the agreements.

**Conclusion:** We concluded that the Department was effective as the State coordinator for the CMIA agreements and in ensuring that all applicable federal programs were included in the agreements. Our report does not include any reportable conditions related to this objective.

### EFFECTIVENESS OF THE DEPARTMENT'S PROCEDURES

#### COMMENT

**Audit Objective:** To assess the effectiveness of the Department's procedures related to developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury.

**Conclusion:** We concluded that the Department's procedures related to developing check clearance patterns, performing interest calculations, and submitting an annual report to the U.S. Department of Treasury were effective. Our report does not include any reportable conditions related to this objective.

## Glossary of Acronyms and Terms

CMIA	Cash Management Improvement Act.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.