PERFORMANCE AUDIT
OF THE

FEDERAL CASH MANAGEMENT IMPROVEMENT ACT PROGRAM

DEPARTMENT OF TREASURY

June 2003

27-605-03

Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit
Federal Cash Management Improvement Act Program
Department of Treasury

Report Number:
27-605-03

Released:
June 2003

The federal Cash Management Improvement Act (CMIA) of 1990, as amended, is designed to ensure fairness between the federal and state governments with regard to the use of federal and state funds for federally mandated programs. The U.S. and Michigan Departments of Treasury have entered into an agreement to fulfill the requirements of CMIA. The agreement primarily identifies the major federal programs and their applicable funding techniques and provides for State and federal interest liabilities if the funding techniques are not followed.

Audit Objectives:

1. To assess the effectiveness of the Department's efforts as the State coordinator for the CMIA agreement and in ensuring that all applicable federal programs were included in the agreement.

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 Conclusions:

1. We concluded that the Department was effective as the State coordinator for the CMIA agreement and in ensuring that all applicable federal programs were included in the agreement.

2. 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.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/

Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

James S. Neubecker, C.P.A., C.I.A., D.P.A.
Executive Deputy Auditor General

Scott M. Strong, C.P.A., C.I.A.
Director of Audit Operations

This page left intentionally blank.

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 9, 2003

Mr. Jay B. Rising
State Treasurer
Treasury Building
Lansing, Michigan

Dear Mr. Rising:

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

This report contains our report summary; description of program; 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

This page left intentionally blank.

TABLE OF CONTENTS

FEDERAL CASH MANAGEMENT IMPROVEMENT ACT PROGRAM
DEPARTMENT OF TREASURY

Description of Program

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

CMIA and associated 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 a five-year agreement on behalf of the State of Michigan, ending September 30, 2004. The agreement primarily identifies the major federal programs and their applicable funding techniques and provides for State and federal interest liabilities if the funding techniques are not followed.

The Department of Treasury and other State departments share the responsibility for complying with the CMIA agreement. The Department of Treasury's responsibilities include ensuring that all applicable federal programs are included in the agreement; developing procedures for and calculating check clearance patterns* for State disbursements; performing interest calculations; submitting claims for reimbursement of direct costs for implementing CMIA; and submitting an annual report to the U.S. Department of Treasury.

* *See glossary at end of report for definition.*

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 agreement and in ensuring that all applicable federal programs were included in the agreement.

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 program and other records of the Federal Cash Management Improvement Act Program. 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

Our audit procedures, conducted primarily during January and February 2003, included examination of agency procedures and records for the period October 1, 2001 through September 30, 2002.

To assess the effectiveness of the Department's efforts as the State coordinator for the CMIA agreement and in ensuring that all applicable federal programs were included in the agreement, we analyzed the procedures and documentation used to develop the CMIA agreement covering fiscal year 2001-02.

* *See glossary at end of report for definition.*

To assess the effectiveness of the Department's procedures related to developing check clearance patterns, we analyzed the procedures and documentation for clearance patterns effective for fiscal year 2001-02.

To assess the effectiveness of the Department's procedures related to performing interest calculations, we verified its calculation of interest owed to or due from the federal government for fiscal year 2001-02 based on financial data submitted to the Department by other State departments.

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 annual report, procedures for submission, and documentation supporting the annual report submitted for fiscal year 2001-02.

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) agreement and in ensuring that all applicable federal programs were included in the agreement.

Conclusion: We concluded that the Department was effective as the State coordinator for the CMIA agreement and in ensuring that all applicable federal programs were included in the agreement. 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.

** See glossary at end of report for definition.*

Glossary of Acronyms and Terms

clearance pattern	A projection showing the daily amount subtracted from a State account each day after the State makes a disbursement.
CMIA	Cash Management Improvement Act.
effectiveness	Program success in achieving mission and goals.
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 that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.