

Section 7.1.2: Cash Management Improvement Act

PURPOSE AND POLICY

The Cash Management Improvement Act ([CMIA](#)) and the corresponding regulatory framework ([31 CFR Part 205](#)) established by the U.S. Department of Treasury govern the transfer of federal financial assistance between the federal government and the states and U.S. territories. The State of Arizona Accounting Manual ([SAAM](#)) [policy 70.55](#) (CMIA Compliance) prescribes the procedures state agencies must follow to ensure compliance with the federal regulations. Compliance with the CMIA requires that the timing and amount of federal draws must be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of any allowable indirect costs.

The CMIA was enacted to improve the transfer of federal funds between the federal government and the states. To accomplish this, the CMIA endeavors to:

- Minimize the time between the transfer of funds to the states and the payout of such funds to support programs, whether the transfer occurs before or after the payout.
- Ensure that federal funds are available when requested.
- Impose interest to compensate for the lost value of funds when held longer than necessary.

Queries regarding these requirements and processes should be addressed to the GAO Federal Group at FederalGrants@azdoa.gov.