

Agreement
Between
The State of North Carolina
And
The Secretary of the Treasury,
United States Department of the Treasury

1.0 PURPOSE

This Agreement made this 30th day of June is to set forth the terms and conditions agreed to in implementing the requirements of the Cash Management Improvement Act (CMIA) of 1990, as amended (Section 5, Public Law 101-453). The purpose of this Agreement is to achieve greater efficiency, effectiveness and equity in the transfer of Federal funds.

2.0 AGENTS OF AGREEMENT

This Agreement between the State of North Carolina, hereinafter referred to as the "State" and the Secretary of the Treasury of the United States, hereinafter referred to as the "Secretary," specifies the fund transfer procedures between the State of North Carolina and the Federal Government for major Federal assistance programs. The US Treasury, Financial Management Service, shall act as the Secretary's representative in all matters pertaining to this Agreement.

2.1 In all matters pertaining to this Agreement, the Authorized Official for the State shall be Robert Powell, State Controller, and the Authorized Representative shall be Amber Young, State Cash Management Officer. The Authorized Official for the Financial Management Service shall be the Assistant Commissioner, Federal Finance.

3.0 AUTHORITY

The authority for this Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589) as codified at 31 USC 6501 and 31 USC 6503. In the event of any inconsistencies between this Agreement and the regulations codified at 31 CFR Part 205, the regulations shall govern.

4.0 DURATION, AMENDING AND TERMINATING

4.1 This Agreement shall take effect on July 1, 2001 and shall remain in effect until June 30, 2002.

4.2 This Agreement may be amended at any time by written, mutual consent of the State and FMS.

4.3 Notwithstanding section 4.2, in the event of Federal or State non-compliance with Subpart B of 31 CFR, Part 205, FMS may unilaterally amend this Agreement at any time to incorporate additional programs and the entities that administer those programs.

4.4 This Agreement may be terminated by either party on 30 days written notice. If this agreement is terminated, FMS shall prescribe the funding techniques, clearance patterns and methods of calculating interest to be used by the State.

5.0 PROGRAMS SUBJECT TO THE ACT

5.1 The State's threshold amount for determining whether a program is a Major Federal Assistance Program is \$26 million. The source of information used to determine this threshold is the audited *Schedule of Expenditures for Federal Awards for the Year Ended June 30, 2000*.

5.2 The following programs meet or exceed the State's threshold:

<u>Program Name</u>	<u>CFDA#</u>
Food Distribution	10.550
Food Stamps	10.551
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Supplemental Food Program for Women, Infants, & Children	10.557
Child and Adult Care Food Program	10.558
State Administrative Matching Grants for Food Stamp Program	10.561
Community Development Block Grants/ State's Program	14.228
Employment Service	17.207
Unemployment Insurance	17.225
Job Training Partnership Act	17.250
Highway Planning and Construction	20.205
Capitalization Grants for State Revolving Funds	66.458
Public Assistance Grants	83.544
Hazard Mitigation Grant	83.548
Title 1 Grants to Local Education Agencies	84.010
Special Education - Grants to States Grants	84.027
Federal Family Education Loans	84.032
Federal Perkins Loan Program – Federal Cap. Contribution	84.038
Vocational Education - Basic Grants to States	84.048
Federal Pell Grant Program	84.063
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126
Federal Direct Loan	84.268
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Low Income Home Energy Assistance	93.568
Child Care Development Fund - Discretionary	93.575
Child Care Development Fund	93.596
Foster Care - Title IV-E	93.658
Social Services Block Grant	93.667
State Children's Insurance Program	93.767
Medical Assistance Program	93.778
Block Grants for Prevention & Treatment of Substance Abuse	93.959
Social Security - Disability Insurance	96.001

5.3 The following programs exceed the State's threshold but have been excluded from coverage for the reason indicated:

<u>CFDA</u>	<u>Program Name</u>	<u>Grounds for Exclusion</u>
10.550	Food Distribution	Non-Cash
66.458	Capitalization Grants for State Revolving Fund	Federal Statute-State Interest Exception
84.032	Federal Family Education Loans	Non-State
84.038	Federal Perkins Loan Program – Federal Cap. Contrib.	Non-State
84.063	Federal Pell Grant	Non-State
84.268	Federal Direct Loan	Non-State
83.543	Individual and Family Grants	Federal Statute-State Interest Exception
83.545	Disaster Housing Program	Federal Statute- State Interest Exception

6.0 STATE AGENCIES AND INSTRUMENTALITIES

6.1 For purposes of this Agreement, the State agencies and instrumentalities to be included will be defined in accordance with the Generally Accepted Accounting Principles used to define the State entity (GASB 14), excluding institutions of higher education, hospitals, and nonprofit organizations. The following State agencies have one or more programs that are considered to be Major Federal Assistance Programs and subject to the CMIA:

- Department of Health & Human Services
- Department of Transportation
- Department of Public Instruction
- Department of Commerce
- Employment Security Commission
- Department of Environment and Natural Resources
- Department of Crime Control & Public Safety

6.2 Payments or transfers of funds by the State to entities that are not part of the State reporting entity are considered to be paid out for program purposes pursuant to 31 CFR Part 205.3.

6.3 Entities that meet the definition of a Fiscal Agent per 31 CFR Part 205 shall be subject to the terms of this agreement. The following Fiscal Agent administers funds under the programs listed in Section 5.2 of this Agreement:

Fiscal Agent	CFDA	Program
Electronic Data Systems	93.778	Medical Assistance Program
Wachovia Bank & Trust Company		
Citibank	10.551	Food Stamps

7.0 FUNDING TECHNIQUES

7.1 The State shall request Federal funds in accordance with the appropriate cut-off times shown in Exhibit I to ensure funds will be received and credited to a State account by the times specified in the funding techniques. Exhibit I is incorporated by reference herein.

In instances where the receipt of funds is scheduled for a Saturday, the State shall request funds for deposit on Friday. In instances where the receipt of funds is scheduled for a Sunday, the State shall request funds for deposit on Monday. In instances where the receipt of Federal funds is scheduled for deposit on a day when the State is not open for business, the State shall request funds for deposit the day following the scheduled day; in instances where the receipt of Federal funds is scheduled for deposit on a day when the Federal Government is not open for business, the State shall request funds for deposit the day prior to the scheduled day.

7.2 The State will apply the following funding techniques as a part of this agreement.

Pre-issuance: The State shall request funds such that they are credited to a State account not more than two business days prior to the day the State makes a disbursement. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be the amount the State expects to disburse.

Cost allocation for indirect cost funding: Funding method described for each individual program based on the situation in each administering agency.

Composite clearance: The State shall, on a weekly basis, request funds 1 business day prior to the midpoint day calculated by using the dollar weighted average cash outlays based on current billable costs. This midpoint shall take into consideration the weighted average number of days from the time warrants are issued until the time the warrants clear the State Treasury. When this method of funding is properly applied there shall be no interest exchange requirement.

Average clearance: Payroll funds shall be deposited on the dollar-weighted average day of clearance for payroll.

Actual Clearance: Citibank shall request funds the same day it pays out funds, in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. A Federal agency will deposit funds in Citibank's account the same day as requested. The amount of the request shall be for the amount of funds that clear Citibank's account that day.

7.3 The State shall apply the following techniques to the programs and components of the programs outlined in section 5.0 of this agreement:

Program: Food Stamps - CFDA 10.551
Component: Direct Program Expenditures – Actual Clearance
Component: Primary State Agency – Department of Health & Human Services.
Citibank, the EBT concentrator bank, shall request funds to reimburse retailers for food stamp redemptions in amounts equal to actual payments the same day it pays out funds, in accordance with the appropriate Federal agency cut-off time specified in Exhibit I.

Program: School Breakfast Program - CFDA 10.553
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - There are no payroll costs associated with this program.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: There are no indirect costs associated with this program.
Primary State Agency: Department of Public Instruction receives 100% of program funding.

Program: National School Lunch Program - CFDA 10.555
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - There are no payroll costs associated with this program.
Component: Indirect cost: There are no indirect costs associated with this program.
Primary State Agency: Department of Public Instruction receives 100% of program funding.

Program: Supplemental Food Program-Women, Infants & Children-CDFA 10.557
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable. The amount shall be determined by applying the agreed upon indirect cost rate to the actual current month payroll cost.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Child and Adult Care Food Program - CFDA 10.558
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable. The amount shall be determined by applying the agreed upon indirect cost rate to the current month payroll cost.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: State Administrative Matching Grant for Food Stamp Program-CFDA 10.561
Component: Payroll - These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost:
(1) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.
(2) Allocated: These costs are drawn as an estimate at months end and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Community Development Block Grant - CFDA 14.228
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost - cost allocation: These costs shall be drawn once per month with the payroll. The amount shall be determined by applying the agreed upon indirect cost rate to the actual current month payroll cost. Draws shall be adjusted quarterly to actual allocation of costs.
Primary State Agency - Department of Commerce receives 100% of program funding.

Program: Employment Service - CFDA 17.207
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost - cost allocation: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements. Draws shall be adjusted quarterly to actual allocation of costs.
Primary State Agency: Employment Security Commission receives 100% of program funding.

Program: Unemployment Insurance - Administrative - CFDA 17.225
Component: Payroll - Exact amount of Federal funds, if any, shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost - cost allocation: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements. Draws shall be adjusted quarterly to actual allocation of costs.
Primary State Agency: Employment Security Commission receives 100% of program funding.

Program: Unemployment Insurance - Benefits - CFDA 17.225
Component: Direct Program Expenditures - Pre-issuance
Primary State Agency: Employment Security Commission receives 100% of program funding.

Program: Highway Planning and Construction - CFDA 20.205
Component: All Expenditures - Composite Clearance Method of Funding shall be used.
Primary State Agency: Department of Transportation receives 100% of program funding.

Program: Capitalization Grants for State Revolving Fund - CFDA 66.458
Component: Environmental Grant Payments - Revolving Fund
The State shall monitor the amount of funds on hand in the revolving fund. One to three times per week the State shall draw down all or a portion of the available Federal capital contribution when the revolving funds' resources are depleted.
Primary State Agency: Department of Environment & Natural Resources receives 100% of program funding.

Program: Public Assistance – CFDA 83.544
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements.
Primary State Agency: Department of Crime Control & Public Safety receives 100% of program funding.

Program: Hazard Mitigation – CFDA 83.548
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements.
Primary State Agency: Department of Crime Control & Public Safety receives 100% of program funding.

Program: Chapter 1 Programs-Local Educational Agencies - CFDA 84.010
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements.
Primary State Agency: Department of Public Instruction receives 100% of program funding.

Program: Special Education-State Grants - CFDA 84.027
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost - cost allocation: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements. Draws shall be adjusted quarterly to actual allocation of costs.

Primary State Agency: Department of Public Instruction receives 100% of program funding.

Program: Vocational Education - Basic Grants to States - CFDA 84.048
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost - cost allocation: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements. Draws shall be adjusted quarterly to actual allocation of costs.

Primary State Agency: Department of Public Instruction receives 100% of program funding.

Program: Rehabilitation Services-Basic Support - CFDA 84.126
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll:
Division of Blind Services- These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Division of Vocational Rehabilitation Services - Exact amount of Federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost:
Division of Vocational Rehabilitation - These costs shall be drawn once per month with the payroll. The amount shall be determined by applying the agreed upon indirect cost rate to the actual current month payroll cost. Draws shall be adjusted monthly to actual allocation of costs.
Division of Blind Services:
(1) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.
(2) Allocated: These costs are drawn as an estimate at months end and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.

Primary State Agencies: Department of Health & Human Services receives 100% of program funding.

Program: Temporary Assistance for Needy Families - CFDA 93.558
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost:
(1) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.
(2) Allocated: These costs are drawn as an estimate at months end and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Child Support Enforcement - CFDA 93.563
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost:
(1) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.
(2) Allocated: These costs are drawn as an estimate at months end and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.

Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Low Income Home Energy Assistance - CFDA 93.568
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost - cost allocation: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the prior month's cash outlay requirements. Draws shall be adjusted in next subsequent draw to actual allocation of costs.

Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Child Care Development Fund – Discretionary - CFDA 93.575
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: There is no indirect cost associated with this program.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Child Care Development Fund - CFDA 93.596
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost: There is no indirect cost associated with this program.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Foster Care - Title IV - E - CFDA 93.658
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost:
(1) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.
(2) Allocated: These costs are drawn as an estimate at months end and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Social Services Block Grant - CFDA 93.667
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost:
(1) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.
(2) Allocated: These costs are drawn as an estimate at months end and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: State Children’s Insurance Program - CFDA 93.767
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll – The exact amount of federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Medical Assistance Program - CFDA 93.778
Component: Direct Program Expenditures - Pre-issuance.
Component: Payroll - Exact amount of federal funds shall be drawn on the average clearance date of each payroll.
Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
Component: Indirect cost:
(1) Cost Allocation: These costs shall be drawn once per month on or after payroll but as close to payroll as practicable, based on the same month's prior year cash outlay requirements. Draws shall be adjusted monthly to actual allocation of costs.
(2) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs
Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Block Grants for Prevention & Treatment of Substance Abuse - CFDA 93.959
 Component: Direct Program Expenditures - Pre-issuance.
 Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
 Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
 Component: (1) Cost Allocation – These costs shall be drawn once per month on or after payroll but as close to payroll as practical, based on the same month’s prior year cash outlay requirements. Draws shall be adjusted monthly to actual allocation of costs.
 (2) Fixed Dollar – Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.

Primary State Agency: Department of Health & Human Services receives 100% of program funding.

Program: Social Security - Disability Insurance - CFDA 96.001
 Component: Direct Program Expenditures - Pre-issuance.
 Component: Payroll – These costs shall be drawn on the average clearance date of each payroll as an estimate and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.
 Component: Direct Administrative Costs (Other than Payroll) - Pre-issuance.
 Component: Indirect cost:
 (1) Fixed Dollar: Funds are drawn for one twelfth of the fixed dollar amount based on the actual allocation of costs.
 (2) Allocated: These costs are drawn as an estimate at months end and adjusted to actual in the subsequent month after cost allocation has been run and books closed for the month being estimated.

Primary State Agency: Department of Health & Human Services receives 100% of program funding.

All payroll funds for all Federal programs, except Highways, shall be drawn down on the day of the disbursement of payrolls and be received on the dollar-weighted average day of clearance of payroll. The State shall not be accountable for interest as long as at least 95% of the payroll dollars are disbursed by Direct Deposit.

8.0 BASIS FOR DEVELOPING CLEARANCE PATTERNS

8.1 The Office of the State Controller shall develop a separate average clearance pattern for the following programs:

- Medical Assistance Program
- Highway Planning and Construction
- Rehabilitation Services-Basic Support
- Block Grants for Prevention & Treatment of Substance Abuse
- Child Care Development Fund - Discretionary
- Social Security - Disability Insurance
- Child Care Development Fund
- Public Assistance
- Hazard Mitigation
- State Children's Insurance Program

8.2 The Office of the State Controller shall develop a composite clearance pattern for each of the following groups of programs:

- Group 1: Social Services Block Grant
 - State Administrative Matching Grants for Food Stamp Program
 - Low Income Home Energy Assistance
 - Child Support Enforcement
 - Foster Care - Title IV-E
 - Temporary Assistance for Needy Families

- Group 2: Chapter 1 Programs-Local Educational Agencies
 - National School Lunch Program
 - Special Education-State Grants
 - School Breakfast Program
 - Vocational Education - Basic Grants to States
- Group 3: Community Development Block Grants
- Group 4: Employment Service
 - Unemployment Insurance – Administration
- Group 5: Child & Adult Care Food Program
 - WIC Administration
- Group 6: Payroll

9.0 CLEARANCE PATTERN METHODOLOGY

9.1 The Office of the State Controller shall use the following method to develop clearance patterns for individual programs:

The clearance pattern for each program, except programs funded by the Federal Highway Trust Fund, shall be determined by measuring the dollar weighted time from the warrant issuance date to the date of clearance for three months actual activity. The State Agency administering the program shall provide the warrants issued for three consecutive months. The Department of State Treasurer shall provide the warrants paid.

The clearance pattern methodology for payrolls shall be based on a once a month payroll at end of month for all programs except Highways. The clearance pattern for payrolls is zero days.

The methodology assumes that all warrants issued to a particular payee type would clear with a similar clearing pattern regardless of the funding source and that any period of three consecutive months is representative of activity in that agency's disbursing account. A standard requires that 99% of the dollar amount of the warrants issued must have cleared against the disbursing account to have a valid clearing pattern.

Exhibit II details the clearance pattern for each program. Check clearing patterns were developed for administrative type disbursements, recipient type disbursements and a combination of administrative and recipient when both types of disbursements were present in a Major Federal Assistance Program or in a group of similar programs. The appropriate clearance pattern is applied to the expenditure when the type of expenditure is identifiable or a combination pattern of administrative and recipient when the task of identifying each type of expenditure is burdensome to the State agency administering the program.

Since the Composite Clearance funding method shall be used for programs funded by the Federal Highway Trust Fund, a dollar weighted midpoint clearance shall be calculated as described in 7.2.

- 9.2 The State shall use the following method to calculate the dollar-weighted average day of clearance:

To determine the number of days each check is outstanding (clearance time), the issue (release) date shall be subtracted from the date the check clears the State's account.

To determine the percentage of the disbursement paid out each day following issuance, the amount of the checks that clear the State's account each day shall be summed and then divided by the amount of the total disbursement.

For each day following issuance, the clearance time of the checks paid out that day shall be multiplied by the percentage of the total disbursement those checks represent. This product is the clearance factor.

The dollar weighted average day of clearance for the disbursement shall be determined by summing the clearance factor of each day following the disbursement.

- 9.3 The State shall adjust each clearance pattern to reflect the dollar-weighted proportion of funds paid out by EFT/Direct Deposit payroll.

- 9.4 Each of the State's clearance patterns is calculated in calendar days.

- 9.5 An authorized State official shall certify that each clearance pattern developed by the State accurately corresponds to the clearance activity of the programs to which it is applied. This certification shall be provided to FMS prior to the effective date of the Agreement. The State shall recertify its clearance patterns at least every five years.

- 9.6 The State shall follow the procedures of 31 CFR 205.8 if it has actual or constructive knowledge, at any time, that a clearance pattern does not correspond to a program's clearance activity.

10.0 INTEREST CALCULATION METHODOLOGY

10.1 Where Composite Clearance Method and Cost Allocation funding techniques are applied, the State and the Secretary agree that no interest liabilities shall be incurred for transfers of funds made in accordance with the procedures specified in Section 7 of this Agreement.

The State shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities:

- (1) amount of the issuance
- (2) date of issuance
- (3) date Federal funds are received and credited to a State account
- (4) amount of Federal funds received.

10.2 Federal Interest Liabilities

10.2.1 A Federal interest liability shall accrue from the day the State pays out its own funds for program purposes to the day Federal funds are credited to a State account. With regard to funds transferred out of the Federal Highway Trust Fund, the State shall bill at least weekly for current project costs.

10.2.2 The State shall use the following method to calculate Federal interest liabilities: Actual Activity: For all transactions where the State pays out its own funds for program purposes prior to receiving Federal funds, the State shall track each payment from the date it is paid out of a State account to the date Federal funds are subsequently credited to a State account to cover that outlay. The Federal interest liability on each payment shall be based on the difference in whole days between the two events. With Federal-State matching programs, interest shall be calculated on the Federal percentage of the disbursement.

10.3 State Interest Liabilities

10.3.1 The State shall be liable for interest on Federal Funds from the date Federal funds are credited to a State account until the date those funds are paid out for program purposes.

10.3.2 The State shall use the following method and sources of data to calculate State interest liabilities on Federal Funds except for the WIC program, the Federal Employees Unemployment Compensation (FECA) and the Extended Unemployment Compensation programs (EUCA):

10.3.3 Measuring Time Funds are Held

Deposit to Issuance; Issuance to Clearance: To determine the total time Federal money is held, the State shall separately measure two time periods: (1) the date Federal funds are credited to the date checks are issued, and (2) the date checks are issued to the date funds are debited from the State's account.

10.3.4 Source of Data

The time period from Deposit to Issuance shall be determined from information captured in the Office of the State Controller's Cash Management Control System. The time period from issuance of funds to the date funds are debited from the State's account shall be determined by the appropriate clearance pattern specified in Exhibit II.

10.3.5 Standards Applied

To measure the time Federal funds are held in a State account prior to being disbursed (pre-issuance time), the State shall subtract each deposit date of Federal funds from each warrant issuance date. The State shall use the actual activity of deposits and warrants to make this calculation.

10.3.6 Calculation Procedure

The State's interest liability for all programs except those described in 10.4, 10.5, 10.6, 10.7, 10.8, 10.9 shall be calculated by applying the following formula:

Pre-Issuance Time + Clearance Time

$I = P \times r \times (PI + CT)$ where

I= State's total interest liability for direct program expenditures

P= Total annual expenditures of Federal Funds for direct program expenditures subject to pre-issuance interest calculation.

r= Annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during a State's fiscal year divided by 365 days.

PI= Number of days Federal funds are held by State prior to warrant issuance

CT= Dollar-weighted average number of days Federal funds are held by State between issuance and clearance of warrants, as determined by the appropriate clearance pattern in Exhibit II

10.4 Medical Assistance Program

Federal funds are received by the State and are transferred to a separate account for redemption of payments processed by a third party. The State's interest liability for the Medical Assistance Program shall be calculated by applying the following formulas:

Pre-Issuance Time

$I = P \times r \times PI$ where

I= State's total interest liability for direct program expenditures

P= Total annual expenditures of Federal Funds for direct program expenditures

r= Annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during a State's fiscal year divided by 365 days

PI= Number of days Federal funds are held by State prior to warrant issuance

PLUS

Average Daily Balance

$I = ADB \times R$ where

I= State's total interest liability

ADB= Average Daily Balance of federal funds in the daily bank balance

R= Annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during a State's fiscal year.

10.5 The Unemployment Trust Fund

10.5.1 The State shall use the following method to calculate and document the State interest liabilities for the FECA and the EUCA:

The liability shall be calculated by multiplying the annualized rate required by the CMIA times the Federal portion of the average daily balance in the commingled account. The estimated average daily balance in the commingled account shall be determined by multiplying the FECA and EUCA percentage of total daily deposits in the commingled account times the average daily balance of the commingled account.

10.5.2 The State shall calculate the actual interest earned less related bank costs resulting from funds withdrawn from the State account in the Unemployment Trust Fund (UTF).

Since funds withdrawn from the UTF are commingled with FECA funds and EUCA funds the State shall apply the actual interest rate to an estimated average daily balance. The estimated average daily balance shall be calculated by multiplying the UTF State percentage of total daily deposits in the commingled account times the average daily balance of the commingled account. The State shall annually report both actual interest earned on the funds drawn from the State account and the State account's pro-rata share of related banking costs. The actual interest earned minus banking costs related to the State's Funds shall be returned to the State's account in the UTF.

10.6 WIC Interest Liability

The State shall use the following method to calculate and document State interest liabilities resulting from the WIC program:

The State Treasurer shall maintain a separate ledger account for the redemption of WIC food instruments. The State shall calculate the interest liability on these funds by applying the annualized interest rate required by the CMIA to the average daily balance of Federal funds in the ledger account.

Interest on WIC rebates is exempt from CMIA provided all interest earned by the State on funds is retained for program purposes.

10.7 State Administrative Matching Grants for Food Stamp Program - CFDA 10.561 meets the definition for an administrative cost grant. Therefore, the State and the Secretary agree that no interest liabilities will be incurred or calculated when funds are drawn in accordance with the agreement.

10.8 Refund Interest Liability

The State shall use the following amount as a threshold for tracking and calculating interest on refunds: \$10,000 Interest on refunds shall be calculated from the time the funds are deposited into the State Treasury until the refund is offset against a draw of Federal funds or returned to a Federal Government account. The interest on refunds from the draw offset until warrant clearance is covered under 10.3.3. A transaction shall be defined as a single deposit to a State account.

10.9 Exemptions

1. Administrative Costs - Interest shall not be calculated on the payroll component as long as Federal funds are deposited on the dollar-weighted average day of clearance for payroll. In the event this figure falls below 95%, interest shall be calculated in accordance with the procedure specified in 10.3.6.

2. Indirect Costs - The State and the Secretary agree that no interest liabilities shall be incurred or calculated for indirect costs as long as the terms of the funding techniques are properly applied.

3. Materiality Exemption - Where more than one State agency is a recipient of Federal funds under a program, a particular State agency's funding may be excluded from the tracking provisions if the State agency receives an amount of funds less than 5% of the State's threshold for major Federal assistance programs. Notwithstanding this potential exemption, however, in no case shall less than 90% of a program's total funding be subject to interest calculation procedures.

4. Projection of calculations: If less than 100% program funding is subject to tracking provisions, the resulting interest liability calculations shall be projected to 100% of program funding.

10.10 Reverse Flow Programs

No reverse flow programs are required to be covered by the terms of this agreement.

11.0 DIRECT COSTS

11.1 Below are the types of direct costs the State has incurred and shall incur. The State shall receive reimbursement for these costs as long as they are determined to be reasonable. Determination of the reasonableness of direct costs shall be made by the Secretary when the State submits its direct costs claim with the annual report. It is estimated that these costs shall total between \$50,000 and \$100,000.

- Costs associated with the development of check clearance patterns.
- Costs associated with the calculation of interest.
- Costs associated with preparing the annual report.

12. NON-COMPLIANCE

The provisions of 31 CFR 205.17 shall apply in cases of non-compliance with the terms of this Agreement.

13.0 SIGNATURE

_____, _____
Bettsy H. Lane, Assistant Commissioner of Federal Finance (Dated)

_____, _____
(Authorized State Representative) (Dated)

Amber Young, North Carolina's State Cash Management Officer, is the Authorized State Representative, and has the authority to sign this Agreement on behalf of the State of North Carolina.

_____, _____
(Authorized State Official) (Dated)

Robert Powell, North Carolina State Controller, is the Authorized State Official and has the authority to sign this Agreement on behalf of the State of North Carolina.

State of North Carolina
2001-2002 CMIA Agreement

- Sets the threshold at \$26 million for programs covered by CMIA for 2001-2002 fiscal year. (Previous year (2000-2001) threshold was \$24 million.) Used both cash and non-cash programs to calculate threshold.
- NOTE: OSC received information indicating that CFDA # 17.250 is being consolidated into CFDA # 17.255. However, based on the Schedule of Expenditures for Federal Awards for the Year Ended June 30, 2000, CFDA # 17.250, JTPA, met the \$26 million threshold. This program is being excluded from the programs covered under the 2000-2001 agreement. We contacted the agency administering this program and were informed that CFDA # 17.250 was closed December 31, 2000.
- NOTE: CFDA #10.551, Food Stamps, is covered under the 2001-2002 TSA as in the previous year with Citibank, the EBT concentrator bank, acting as Fiscal Agent for North Carolina and administering funds for this program.
- NOTE: Revised TSA due to clearance patterns developed for the two new programs covered in the 2002 TSA. Those programs are as follows:

North Carolina Department of Health & Human Services State Children's Insurance Program,
CFDA # 93.767.

North Carolina Department of Crime Control & Public Safety Hazard Mitigation, CFDA # 83.548.

- ◆ NOTE: The North Carolina Department of Crime Control and Public Safety is closing out the Disaster Housing Program, CFDA # 83.545. However, based on the Schedule of Expenditures for Federal Awards for the Year Ended June 30, 2000, CFDA # 83.545, Disaster Housing met the \$26 million threshold. This program is being excluded from the programs covered under the 2000-2001 agreement. Disaster Housing is a reimbursement type grant. It is related only to Hurricane Floyd, which hit North Carolina in September 1999. We have been informed by The North Carolina Department of Crime Control that the program is being closed out and the expenditures for the 2002 TSA agreement will not meet the \$26,000,000.00 threshold.