

# CASH MANAGEMENT: BASICS

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Presented by  
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# Course Objectives

- **At the end of the session participants will know:**
  - **What cash management means**
  - **Why cash management is important**
  - **Statewide cash management policies**
  - **Agency cash management requirements**
  - **How the Treasury State Agreement impacts your agency**

# What is Cash Management

## • The Basics

- The term “CASH” includes – cash, checks, warrants, Electronic Fund Transfers (EFT’s), debit and credit card transactions
- Agencies are required to deposit cash daily unless they have a waiver from the State Treasurer
- Internal controls over cash
  - Separation of duties
  - Safeguard and deposit receipts in tact

# What is Cash Management

## • The Basics

- Petty Cash accounts are authorized in statute with approval from OFM for treasury accounts.
  - Agency must have internal controls including safeguarding cash, assigning petty cash custodian
  - Cannot be for less than \$25 and those over \$100 must be in bank account
  - Two types of accounts: Change Account and Petty Cash Account
  - Reimbursement of imprest petty cash

# What is Cash Management

- **Ensuring positive cash flow for the state**
  - Receipts exceed or equal disbursements
  - Accounts do not have negative cash balance
- **Internal Control**
  - Cash Allotments
  - Tool to ensure budget compliance
  - Prevent Fraud

# Why is Cash Management Important

- **Important Resource Management Tool**
- **Comply with Federal Cash Management Improvement Act of 1990.**
- **Ensures state does not owe interest**

# Why is Cash Management Important

- Good cash management allows the state to take advantage of prompt pay discounts
- Can prevent and detect loss
- Prevents federal interest liability

# Statewide Cash Management Policies

- Cash receipting policies
- Expenditure processing
- Appropriate coding between sources
- Agencies with federal programs must comply with the Cash Management Improvement Act

# Agency Cash Management Policies

- Cash receipting policies
- Expenditure processing
- Appropriate coding of funds
- Ensure compliance with grant award
- Establish internal processes to ensure timely draws of federal funds to match expenditures

# Agency Cash Management Policies

- Federal draws with payroll related expenditures should be made so federal funds are received by payday.
- Other expenditures should be drawn according to the grant agreement or at least monthly.

# Cash Management Improvement Act (CMIA)

- **Federal Act adopted to address two main problems:**
  - **States were drawing Federal funds in advance of need**
  - **Federal Government was late in paying states award funds**

# CMIA

- To ensure greater effectiveness, efficiency, and equity in the exchange of funds between the federal government and the states:
- Effectiveness – availability of funds
- Efficiency – timely transfer of funds
- Equity – fairly compensate for time value of funds (i.e. interest liability payments)

# CMIA Principles

- Federal funds cannot be drawn down in advance of need.
- State must request funds timely.
- State selects the appropriate funding method to minimize interest liability
- State agencies must draw according to established draw methods

# CMIA

- **Outlines how federal funds will be drawn**
- **Annually the state enters into a new Treasury State Agreement (TSA)**
- **Every spring OFM engages agencies in process to update the Treasury State Agreement (TSA).**

# CMIA

- Agencies with major federal programs must comply with the Cash Management Improvement Act (CMIA)
- OFM signs the TSA on behalf of State for all major programs
  - In FY 2015 the threshold is \$20 Million per CFDA number based on the 2013 Schedule of Federal Awards (SEFA)

# CMIA

- Agencies must draw funds based on the agreement between the state and federal government
- Several different draw methods
  - Preferred is twice per month so funds are received on payday.
- Methods are to be interest neutral

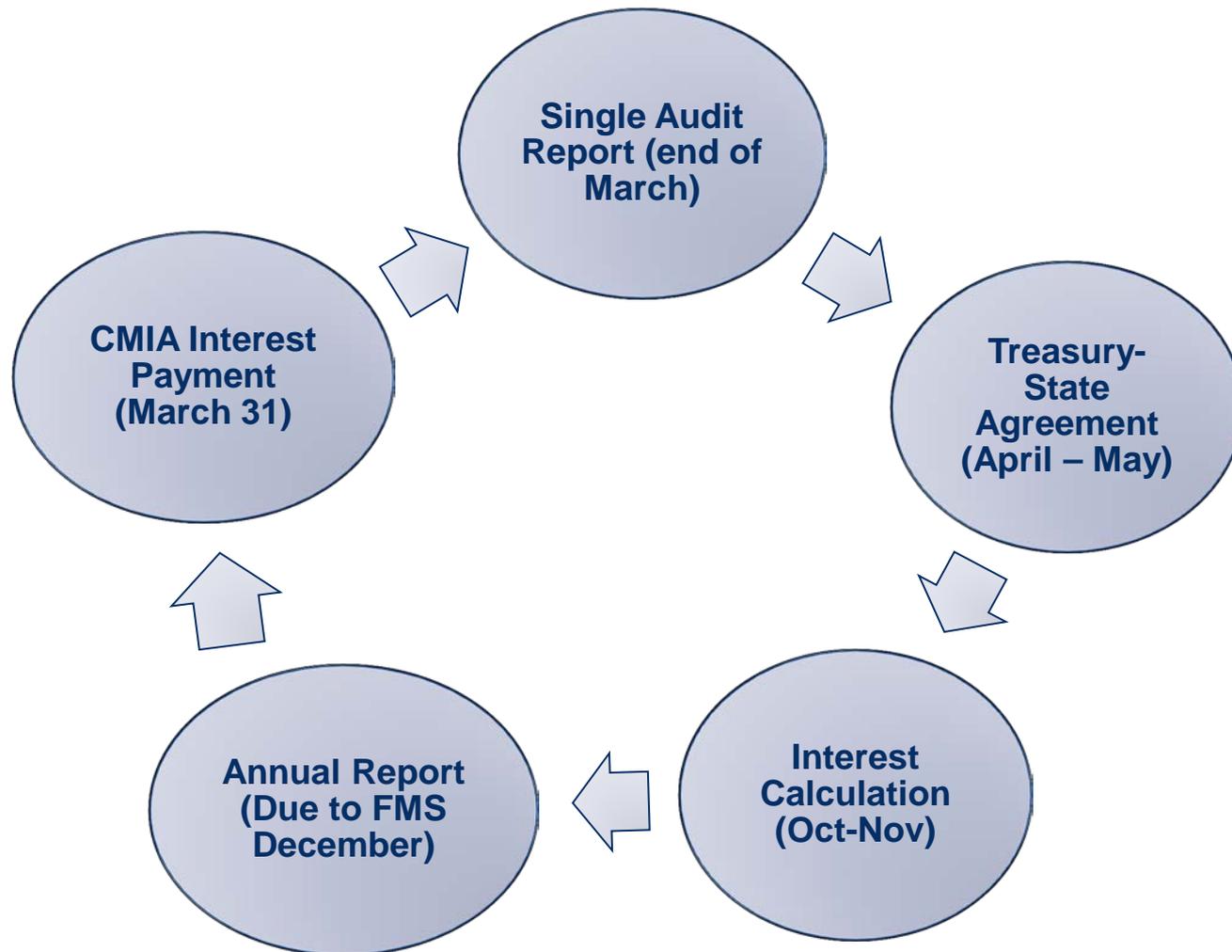
# CMIA

- If agencies fail to follow the TSA, the federal government may deny the state payment for the resulting federal interest liability.
- Agencies are audited to the agreement
  - Federal audits
  - Compliance audits
- Annual report required by December 31 of each year.

# CMIA

- **For the 2016 TSA**
  - **OFM is updating forms used by agencies**
  - **Continued streamlining of draw techniques is desired**
  - **Goal is to have all information received from agencies by April 3, 2015**
  - **Draft submitted for review by May 22, 2015**

# CMIA Cycle



# Questions

- **Contact Information**

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**Information available on the web at:**

<http://www.ofm.wa.gov/tsa/default.asp>