

## MISSOURI DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION CASH MANAGEMENT IMPROVEMENT ACT (CMIA) GUIDANCE

### **Salary expenditures**

It is common for salary expenditures incurred during the approximately 9-month school year to be paid over 12 months. The CMIA (commonly known as the three-day rule) requires districts receiving federal funds to demonstrate that they have either already spent the funds or will spend the funds within three days of receipt. To consider the funds “spent,” the payroll transactions should be recorded on the LEA’s books **and** the funds delivered to the recipients. The CMIA applies to all federal funds.

The violation to CMIA occurs if a district requests and receives federal payments for payroll checks that are not delivered to the recipients within the three-day rule.

The following are scenarios of how an LEA may handle the payroll for federally funded staff:

1. All payroll checks written and recorded at year-end are delivered to the recipients prior to or within three days of receipt of federal reimbursement.
2. Districts that receive federal funds in advance may hold payroll checks for delivery until July and August but will be liable for accrued interest on those funds in accordance with the CMIA. Consequently, the district must calculate the interest earned and repay that amount. The interest earned calculation must be done regardless if the LEA places the funds in an interest bearing or non-interest bearing account. See the instructions for **Calculating Interest**, shown below. This interest calculation method must also be used in situations where districts receive overpayments of federal funds or vendor payments from federal funds are not made within the three-day window.
3. Salary expenditures for payroll checks written in June but not delivered until July and August will not be claimed for federal reimbursement until they are delivered.

### **Requesting Funds**

The following narrative describes how a district could ask for reimbursement to cover salaries based on when the payroll checks are delivered to the recipient in order to avoid violation of the CMIA requirement.

- a. The payment request submitted for the June payment includes only actual payroll already paid through the end of May and any payroll that will be paid within three business days of the receipt of the June payment. (Generally, payment requests submitted by the fifth working day of the month are included in the state payment for that month.)
- b. After the June payment is processed, DESE makes payments based on Final Expenditure Reports (FERs) rather than payment requests. By the first of July, the LEA may submit an FER to cover all expenditures for the program year that have

been recorded on the general ledger and the payment will be delivered to the recipient within three days of receipt of the July check.

- c. By the first of August, the LEA may submit a revised FER to cover expenditures for the program year that has been recorded on the general ledger and the payments will be delivered to the recipient within three days of receipt of August check.

Information on payments may also be found in Education Department General Administrative Regulations (EDGAR) 80.21(b), (c), and (d).

### **Calculating Interest**

The calculation is the amount of the reimbursement times the annualized federal interest rate for the fiscal year (which can be found at <http://www.fms.treas.gov/cmia/index.html> for the applicable July 1-June 30 fiscal year) times the number of business days the payroll checks were held until delivery (less three days).

**Example:** ABC School District was reimbursed \$25,000 on June 22, 2009 and the ABC School District delivered the related payroll checks on July 29, 2009. The calculation of the interest is:

\$25,000	Reimbursement
X .0000164	Fiscal Year 2009 annualized federal interest rate
<u>X 25</u>	Business days (exclude weekends and banking holidays)
\$10.25	Interest due

Please make the check payable to “Treasurer, State of Missouri” for the full amount of the interest. Include a letter describing how the interest was calculated.

EDGAR 80.21(i) provides that the “grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.” It is the responsibility of the district to document administrative expenses claimed as an interest offset. Examples of such expenses may include foregone interest on state or local funds used as cash flow for federal salaries prior to requesting reimbursement, costs associated with requesting reimbursements, or other related costs.