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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

January 30, 2020

FINANCE MEMORANDUM

MEMO NO. 20-02

To: All Department Heads

From: Craig K. Hirai
Director of Finance

Subject: Cash Management Requirement for Federal-State Fund Transfers subject to 31 CFR 205 Subpart B - "Rules Applicable to Federal Programs Not Included in a Treasury-State Agreement"

The purpose of this memorandum is to establish a standard for the State's "Administratively Feasible Time Period", terminology that is included in the cash management requirements for federal assistance programs subject to 31 CFR 205 Subpart B- "Rules Applicable to Federal Programs Not Included in a Treasury-State Agreement".

"Administratively Feasible Time Period" is the average number of days it takes for a department to drawdown cash from the U.S. Treasury and expend the cash in the State's accounting system (FAMIS). Federal requirement states that cash drawdown must be "as close as is administratively feasible" to cash outlay.

The Department of Budget and Finance's best estimate for the State's "Administratively Feasible Time Period" is noted below:

<u>Type of Expenditure</u>	<u>Average Number of Days to Complete Transaction ("Time Period") *</u>
Summary Warrant	21 calendar days
Voucher	
Payroll	15 calendar days

* The average number of transaction days was arrived at using FAMIS data when available or estimates to complete a transaction following established state procedures when data was not available.

As an alternative to this state standard, departments may determine their own 'administratively feasible' time period standard based on their unique departmental internal procedures. Departments that elect to do this should document the basis for their "administratively feasible time period" standard and issue the results by memorandum internally and to Budget and Finance.

Attached is a Frequently Asked Questions (FAQ) that provides additional details on this subject.

Should you have any questions, please contact Mark Anderson at 586-3035 or mark.k.anderson@hawaii.gov.

c: Mark Anderson, Dept. of Budget & Finance, Office of Federal Awards Management
Lenora Fisher, Dept. of Accounting & General Services

FREQUENTLY ASKED QUESTIONS (FAQs)

What are the U.S. Treasury's cash management requirements for federal award recipients?

Regulations that govern the transfer of funds from the federal government are codified in "31 CFR Part 205- Rules and Procedures for Efficient Federal-State Funds Transfers, Final Rule". There are two parts to the rule:

1. **Subpart A**-Rules Applicable to Federal Assistance Programs included in a Treasury-State Agreement
 - A Treasury-State Agreement is negotiated between the State and the U.S. Treasury after the close of every State fiscal year. The State of Hawaii's Treasury-State Agreements are posted at <http://federalawards.hawaii.gov/sga/>
 - "Section 4.0 Programs Covered" of the TSA lists the major assistance CFDA programs (large dollar programs) that are "covered" in the agreement.
 - A "funding technique" describes how the federal fund transfer will take place for each major assistance program.
 - Rules for Subpart A programs are codified in 31 CFR 205, Subpart A. <https://ecfr.io/Title-31/pt31.2.205#sp31.2.205.a>
2. **Subpart B**-Rules Applicable to Federal Assistance Programs not included in a Treasury-State Agreement
 - Federal programs NOT covered in the current Treasury-State Agreement are subject to the regulations in 31 CFR 205, Subpart B, §205.33. <https://ecfr.io/Title-31/pt31.2.205#sp31.2.205.b>

When is an award a "Subpart B" program?

Any program that is not listed in the current Treasury-State Agreement is a "Subpart B" program. If you have a question about whether an award is a Subpart B program, please contact the Office of Federal Awards Management at 586-3035.

What is meant by "administratively feasible" time period?

The terminology "administratively feasible" is referenced in *31 CFR 205, Subpart B* which states: "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. **The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.**"

We interpret the sentence "the timing and amount of funds transfers must be as is administratively feasible to a State's actual cash outlay" to mean that:

1. The 'administratively feasible' time period are the number of days that it takes to complete all necessary administrative tasks to drawdown and make funds available in the state's accounting system in time to make a payment.
2. The draw down should be limited to the amount needed to make a payment.

What is the purpose of establishing a standard to define the State’s “Administratively Feasible Time Period” ?

A standard serves two purposes: (1) to provide a guideline for state grant managers to time the drawdown of federal funds in order to comply with federal cash management requirements for awards subject to 31 CFR 205 Subpart B (2) to provide auditors with a state standard to assess whether an award has met the ‘administratively feasible’ standard.

How was the State’s “Administratively Feasible Time Period” determined?

A timeline consisting of three periods was established. The calendar days for each period was determined using data from the State’s accounting system (FAMIS) when available and estimates to complete a transaction following established state and departmental procedures.

Timeline for Federal-State Fund Transfers				
Type of Expenditure	Drawdown to Posting of Revenue in FAMIS	Disbursement (Posting Expenditure in FAMIS)	Department-level administrative tasks	TOTAL DAYS
Summary Warrant Vouchers	6.78 calendar days	7 calendar days	7 calendar days	21 calendar days
Payroll	6.78 calendar days	1 calendar day	7 calendar days	15 calendar days