Cash Management Improvement Act Agreement
between
The State of North Carolina
and
The Secretary of the Treasury,
United States Department of the Treasury

The Secretary of the Treasury, United States Department of the Treasury (hereafter 'Secretary'), and the State of North Carolina (hereafter 'State'), in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended (hereafter 'Act'), agree as follows:

1.0 AGENTS OF THE AGREEMENT

1.1 The Authorized Official(s) for the State of North Carolina shall be Robert Powell, State Controller and the Authorized Representative shall be Amber Young, State Cash Management Officer in all matters concerning this Agreement.

1.2 The Assistant Commissioner, Federal Finance, Financial Management Service (FMS), U.S. Department of the Treasury, shall act as the Secretary's representative in all matters concerning this Agreement.

2.0 AUTHORITY

2.1 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), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.

2.2 The regulations codified at 31 CFR Part 205 shall apply to all matters pertaining to this Agreement, and are incorporated herein by reference herein. In the event of any inconsistency between this Agreement and 31 CFR Part 205, the regulations shall govern.

3.0 DURATION, AMENDING, TERMINATING, AND MISCELLANEOUS PROVISIONS

3.1 This Agreement shall take effect on 7/1/2008 and shall remain in effect until 06/30/2012.

3.2 This Agreement may be amended at any time by written, mutual consent of the State and FMS. This Agreement shall be amended annually to incorporate new programs that qualify as major Federal assistance programs and remove programs that no longer qualify as major Federal assistance programs. A State must notify FMS in writing within 30 days of the time the State becomes aware of a change that involves additions or deletions of programs subject to Subpart A, changes in funding techniques, and/or changes in clearance patterns. The notification must include a proposed amendment for review by FMS.

3.3 Notwithstanding section 3.2, in the event of Federal or State non-compliance with Subpart B of 31 CFR, Part 205, FMS may amend this Agreement at any time to incorporate additional programs and the entities that administer those programs.

3.4 This Agreement may be terminated by either party with 30 days' written notice. If this Agreement is terminated, FMS will prescribe the funding techniques, clearance patterns, and methods for calculating interest liabilities to be used by the State.

4.0 PROGRAMS COVERED

4.1 The State's threshold and its major Federal assistance programs shall be determined based on Audited Schedule of Expenditures for Federal Awards for fiscal year ending 6/30/2007.

All major Federal assistance programs shall be covered by this Agreement, unless otherwise specified in section 4.4 of this Agreement.

4.2 The State's threshold for major Federal assistance programs is $60,000,000.

The following programs meet or exceed the threshold and are not excluded in Section 4.4:

10.551 Food Stamps
10.553 School Breakfast Program
10.555 National School Lunch Program for Children
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
10.558 Child and Adult Care Food Program
10.561 State Administrative Matching Grants for Food Stamp Program
17.225 F Unemployment Insurance -- Federal Benefit Account and Other Federal Funds
17.225 S Unemployment Insurance -- State Benefit Account
17.245 Trade Adjustment Assistance -- Workers
20.205 Highway Planning and Construction
84.010 Title I Grants to Local Educational Agencies
84.027 Special Education -- Grants to States
84.126 Rehabilitation Services -- Vocational Rehabilitation Grants to States
84.367 Improving Teacher Quality State Grants
93.268 Childhood Immunization Grants
93.558 Temporary Assistance for Needy Families
93.563 Child Support Enforcement
93.575 Child Care and Development Block Grant

93.596 Child Care Mandatory and Matching Funds for the Child Care and Development Fund
93.658 Foster Care -- Title IV-E
93.667 Social Services Block Grant
93.767 Child Health Insurance Program
93.778 Medical Assistance Program

4.3 The following programs fall below the State's threshold but have been required to be covered by FMS in accordance with the non-compliance provisions of Subpart B of 31 CFR Part 205:

There are no programs listed for section 4.3

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

84.032 Federal Family Education Loans --- Exclusion: Non-State
84.038 Federal Perkins Loan Program -- Federal Capital Contributions --- Exclusion: Non-State
84.063 Federal Pell Grant Program --- Exclusion: Non-State
84.268 Federal Direct Student Loan --- Exclusion: Non-State

5.0 ENTITIES COVERED

5.1 State agencies and instrumentalities that meet the definition of a State per 31 CFR Part 205, shall be subject to the terms of this Agreement. The following is a list of such entities that administer funds under the programs listed in Section 4.0 of this Agreement:

Department of Commerce
Department of Health and Human Services
Department of Public Instruction
Department of Transportation
Employment Security Commission

5.2 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 is a list of Fiscal Agents that administer funds under the programs listed in Section 4.0 of this Agreement:

E-Funds Corporation 10.551 Food Stamps
Electronic Data Systems 93.778 Medical Assistance Program

6.0 FUNDING TECHNIQUES

6.1 General Terms

6.1.1 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.

6.1.2 The State shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II - List of State Clearance Patterns. Exhibit II is incorporated by reference herein.

6.1.3 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.

6.1.4 Estimates and Reconciliation of Estimates:
Where estimated expenditures are used to determine the amount of the drawdown, the State will indicate in the terms of the State unique funding technique how the estimated amount is determined and when and how the State will reconcile the difference between the estimate and the State's actual expenditures.

6.1.5 Supplemental Funding:
Unless otherwise defined by program rules, Supplemental Funding is the award of additional funds to provide for an increase in costs due to unforeseen circumstances.

The State will comply with all Federal program agency policies and procedures for requesting supplemental grant funding.

The State will comply with the following guidelines when requesting supplemental funding for the Medical Assistance Program and associated administrative payments (CFDA 93.778):

The State must submit a revised Medicaid Program Budget Report (CMS-37) to request supplemental funding. The CMS guidelines and instructions for completing the CMS-37 are provided in Section 2600F of the State Medicaid Manual (SMM). The CMS/CO must receive the revised Form CMS-37 through the Medicaid Budget Expenditure System/Children's Budget Expenditure System (MBES/CBES) no later than 10 calendar days before the end of the quarter for which the supplemental grant award is being requested.

Additional guidance on this policy is available from the respective CMS Regional Office, U.S. Department of Health & Human Services.

The State will comply with the following guidelines when requesting supplemental funding for TANF (CFDA 93.558), CCDF (CFDA

93.575), CSE (93.563), and the FC/AA (CFDA 93.658 and CFDA 93.659) programs administered by the U.S. Department of Human Services, Administration for Children and Families (HHS/ACF):

a. Timing of the Request
A State should initiate its request for supplemental funding during a quarter as soon as it becomes aware of the fact that a shortfall does/will exist. For the TANF and CCDF grants, supplemental funding requests (estimates) may be submitted by a State, for consideration by ACF, up through and including the 15th day of the third month of the first, second or third quarter of any fiscal year. Since TANF and CCDF are block grant programs, all unawarded portions of the annual allotment will automatically be issued at the beginning of the fourth quarter. Therefore, supplemental funding requests will not be available during the fourth quarter for these programs. For the CSE and FC/AA programs, supplemental funding requests may be submitted by a state, for consideration by ACF, up through and including the 15th day of the third month of any quarter of a fiscal year.

b. Justification for the Request
The request for a supplemental funding for any of the above mentioned programs should contain a justification clearly documenting the need for the additional funding authority during the current quarter. This documentation should be in the form of State accounting records or similar documents that will show the actual expenditures through the most recent month for which such data are available, as well as the State's most accurate projection of its anticipated expenditures during the remaining month(s) of the quarter. For either the TANF or the CCDF program, the State's justification should also include an explanation of the activities requiring the obligation

and/or expenditure of amounts that exceed the normal quarterly grant award restrictions and why these activities could not have been delayed until the next quarter.

c. Form Submittal
Supplemental funding requests should be made by completing the appropriate ACF quarterly report of expenditures and estimates applicable to the particular program for which the grant award request is being made.

d. Approval Process
Upon receipt of the state's request for additional funding authority for a quarter, the ACF Regional Office will promptly review the supporting documentation. If the request is properly justified, so long as ACF has adequate funding availability, the State's request will be expedited and supplemental funding will be issued within 5 days of ACF receiving the request. The State will be notified by the Regional Office when the supplemental award has been transmitted to the Payment Management System (PMS) and when it may initiate drawdowns against the supplemental funding.

Additional guidance on this policy is provided in the U.S. Department of Health & Human Services, Administration for Children and Families, letter (May 19, 2004) to State Administrators from the Deputy Assistant Secretary for Administration.

6.2 Description of Funding Techniques

6.2.1 The following are terms under which standard funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

Average Clearance

The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II. 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 for the exact amount of that disbursement.This funding technique is interest neutral.

Pre-Issuance

The State shall request funds such that they are deposited in a State account not more than three 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.This funding technique is not interest neutral.

Actual Clearance, ZBA - Same Day Payment

The State 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 a State account the same day as requested. The amount of the request shall be for the amount of funds that clear the State's account that day.This funding technique is interest neutral.

Composite Clearance

The State shall request funds such that they are deposited on the dollar-weighted average number of days required for funds to be paid out for a series of disbursements, in accordance with the clearance pattern specified in Exhibit II. 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 sum of the payments issued in the series of disbursements.This funding technique is interest neutral.

6.2.2 The following are terms under which funding techniques for administrative costs shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

Actual Costs - Estimated Allocation - Monthly

The State shall request funds once a month, such that they are deposited on the median day of the month, to fund the activity of the prior month. 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 an estimate based on the actual costs of the month distributed to the program according to the allocation of costs for the preceding six months.This funding technique is interest neutral.

Direct Administrative Costs - Drawdowns at Fixed Intervals

The State shall request funds once a month, such that they are deposited on the day of the month specified for each component. 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 based on the amount of actual cash outlays for direct administrative costs during the month.This funding technique is interest neutral.

Direct Administrative Costs - Drawdowns on a Payroll Cycle

The State shall request funds for all direct administrative costs such that they are deposited on the dollar-weighted average date of clearance of payroll. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of funds requested shall be based on the amount of liabilities recorded for direct administrative costs since the last request for funds.This funding technique is interest neutral.

6.2.3 The following are terms under which miscellaneous funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

There are no funding techniques listed in Section 6.2.3

6.2.4 The following are terms under which State unique funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

There are no funding techniques listed in Section 6.2.4

6.3 Application of Funding Techniques to Programs

6.3.1 The State shall apply the following funding techniques when requesting Federal funds for the component cash flows of the programs listed in sections 4.2 and 4.3 of this Agreement.

6.3.2 Programs

Below are programs listed in Section 4.2 and Section 4.3.

10.551 Food Stamps
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 100
Component: Benefits to Recipients
Technique: Actual Clearance, ZBA - Same Day Payment
Clearance Pattern: 0 Days

10.553 School Breakfast Program
Recipient: Department of Public Instruction
% of Funds Agency Receives: 98
Component: Direct Program Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 2
Component: Direct Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

10.555 National School Lunch Program
Recipient: Department of Public Instruction
% of Funds Agency Receives: 100
Component: Direct Program Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 97

Component: Direct Program Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 3
Component: Payroll
Technique: Average Clearance
Clearance Pattern: 7 Days

10.558 Child and Adult Care Food Program
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 100
Component: Direct Program Cost
Technique: Pre-Issuance
Clearance Pattern: 7 Days

10.561 State Administrative Matching Grants for Food Stamp Program
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 3
Component: Direct Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 97
Component: Payroll
Technique: Average Clearance
Clearance Pattern: 7 Days

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Employment Security Commission
% of Funds Agency Receives: 72
Component: Payroll
Technique: Average Clearance
Clearance Pattern: 4 Days

Recipient: Employment Security Commission
% of Funds Agency Receives: 7
Component: Indirect
Technique: Actual Costs - Estimated Allocation - Monthly
Clearance Pattern: 4 Days

Recipient: Employment Security Commission
% of Funds Agency Receives: 21
Component: Administrative Cost
Technique: Pre-Issuance
Clearance Pattern: 4 Days

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Employment Security Commission
% of Funds Agency Receives: 100
Component: Direct Program Cost
Technique: Pre-Issuance
Clearance Pattern: 5 Days

17.245 Trade Adjustment Assistance -- Workers
Recipient: Employment Security Commission
% of Funds Agency Receives: 3
Component: Payroll
Technique: Direct Administrative Costs - Drawdowns on a Payroll Cycle
Clearance Pattern: 5 Days

Recipient: Employment Security Commission
% of Funds Agency Receives: 3
Component: Indirect
Technique: Actual Costs - Estimated Allocation - Monthly
Clearance Pattern: 5 Days

Recipient: Employment Security Commission
% of Funds Agency Receives: 94
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 5 Days

20.205 Highway Planning and Construction
Recipient: Department of Transportation
% of Funds Agency Receives: 100
Component: All Costs
Technique: Composite Clearance
Clearance Pattern: 7 Days

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Public Instruction
% of Funds Agency Receives: 1
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 98
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 1
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

84.027 Special Education -- Grants to States
Recipient: Department of Public Instruction
% of Funds Agency Receives: 1
Component: Indirect Costs
Technique: Direct Administrative Costs - Drawdowns at Fixed Intervals
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 95
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 3
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 1
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 7 Days

84.126 Rehabilitation Services -- Vocational Rehabilitation Grants to States
Recipient: Department of Health and Human Services

% of Funds Agency Receives: 33
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 8 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 65
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 8 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 2
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 8 Days

84.367 Improving Teacher Quality State Grants
Recipient: Department of Public Instruction
% of Funds Agency Receives: 2
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 97
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Public Instruction
% of Funds Agency Receives: 1
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 7 Days

93.268 Childhood Immunization Grants
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 94
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 6 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 1
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 6 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 5
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 6 Days

93.558 Temporary Assistance for Needy Families
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 1
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 6 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 94
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 6 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 5
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 6 Days

93.563 Child Support Enforcement
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 14
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 7 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 4
Component: Indirect Costs
Technique: Actual Costs - Estimated Allocation - Monthly
Clearance Pattern: 7 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 31
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 51
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 7 Days

93.575 Child Care and Development Block Grant
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 13
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 5 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 49
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 5 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 2
Component: Indirect Costs
Technique: Actual Costs - Estimated Allocation - Monthly
Clearance Pattern: 5 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 36
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 5 Days

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 99
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 9 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 1
Component: Administrative Costs
Technique: Pre-Issuance

Clearance Pattern: 9 Days

93.658 Foster Care -- Title IV-E
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 97
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 6 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 2
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 6 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 1
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 6 Days

93.667 Social Services Block Grant
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 92
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 3 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 4
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 3 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 4
Component: Payroll Costs
Technique: Average Clearance
Clearance Pattern: 3 Days

93.767 State Children's Insurance Program
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 2
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 10 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 98
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 10 Days

93.778 Medical Assistance Program
Recipient: Department of Health and Human Services
% of Funds Agency Receives: 98
Component: Program Costs
Technique: Pre-Issuance
Clearance Pattern: 4 Days

Recipient: Department of Health and Human Services
% of Funds Agency Receives: 2
Component: Administrative Costs
Technique: Pre-Issuance
Clearance Pattern: 4 Days

6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

N/A

7.0 CLEARANCE PATTERNS

7.1 The State shall develop separate clearance patterns for each of the following:

(Average Clearance) Medical Assistance Program by North Carolina Department of Health and Human Services
Highway Planning and Construction by North Carolina Department of Transportation
Rehabilitation Services-Basic Support
Child Care Development Fund- Discretionary
Child Care Development Fund
State Children's Insurance Program
Payroll

7.2 The following shall develop the State's clearance patterns:

(Composite Clearance)
Group 1: State Administrative Matching Grants for Food Stamp Program by North Carolina Department of Health & Human Services

Child Support Enforcement by the North Carolina Department of Health & Human Services

Temporary Assistance for Needy Families by the North Carolina Department of Health & Human Services

Foster Care Title IV-E by the North Carolina Department of Health & Human Services

Childhood Immunization Grants by the North Carolina Department of Health & Human Services

Social Services Block Grant by the North Carolina Department of Health & Human Services

Group 2: Chapter 1 Programs-Local Educational Agencies by the North Carolina Department of Public Instruction

National School Lunch Program by the North Carolina Department of Public Instruction

Special Education-State Grants by the North Carolina Department of Public Instruction

School Breakfast Program by the North Carolina Department of Public Instruction

Improving Teacher Quality State Grants by the North Carolina Department of Public Instruction

Group 4: Unemployment Insurance-Administration by the North Carolina Employment Security Commission

Trade Adjustment Assistance Workers by the North Carolina Employment Security Commission

WIA Dislocated Workers by the North Carolina Employment Security Commission

Group 5: Child & Adult Care Food Program by the North Carolina Department of Health & Human Services

WIC Administration by the North Carolina Department of Health & Human Services

Group 6: Payroll by North Carolina Department of Health & Human Services, Department of Public Instruction and Employment Security Commission

7.3 The sources of data the State shall use when developing its clearance patterns are as follows:

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.

7.4 The State shall use the following methodology when developing its clearance patterns:

For all clearance patterns developed by statistical sampling, the State shall randomly sample checks to ensure, at a minimum, a 95% confidence interval for a .25 weighted-day level of precision for the checks in the sample. The State shall track at least 99% of the funds disbursed, from issuance to clearance, in the sample period.

7.5 The State shall identify for each check or warrant (hereafter, check) in the population: (1) the date the check was released for payment; (2) the date the check was debited from the State's account, and, (3) the amount of the check.

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

To determine the number of days each check was outstanding (clearance time), the issue date shall be subtracted from the date the check cleared 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.

7.7 The State shall adjust each clearance pattern to reflect the dollar-weighted proportion of funds paid out by EFT/Direct payroll, with the following exceptions:

N/A

The State shall also adjust each clearance pattern to reflect:

N/A

7.8 Each of the State's clearance patterns is calculated in business days.

7.9 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.

7.10 The State shall follow the procedures of 31 CFR 205 if it has actual or constructive knowledge, at any time, that a clearance pattern does not correspond to a program's clearance activity.

8.0 INTEREST CALCULATION METHODOLOGY

8.1.1 The State and the Secretary agree that no interest liabilities will be incurred for transfers of funds made in accordance with the procedures specified in section 6 of this Agreement where the following funding techniques are applied:

Average Clearance
Actual Clearance, ZBA - Same Day Payment
Composite Clearance
Actual Costs - Estimated Allocation - Monthly
Direct Administrative Costs - Drawdowns at Fixed Intervals
Direct Administrative Costs - Drawdowns on a Payroll Cycle

8.1.2 The State shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities.
For each disbursement, the State shall be able to identify:
(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
(5) date funds were requested

8.2 Federal Interest Liabilities

8.2.1 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, if a State does not bill at least weekly for current project costs, the Federal interest liability shall not accrue prior to the day the State submits a request for funds.

8.2.2 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.

8.3 The Unemployment Trust Fund

8.3.1 The State shall use the following method to calculate State interest liabilities on funds withdrawn from the several accounts in the

Unemployment Trust Fund:

Federal and State Funds are Not Interest Neutral:
The State shall use the following methodology to calculate State interest liabilities on funds withdrawn from the several accounts in the UTF under the Unemployment Insurance program.

Based on statements provided by its financial institution, or other appropriate source, the State shall determine the actual interest earnings and the related banking costs attributable to funds withdrawn from its account in the UTF.

At the end of the States fiscal year, the State shall calculate the percentage of its total unemployment compensation expenditures for (1) funds withdrawn from the State account in the UTF, or the State %, and (2) funds withdrawn from the Federal Employees Compensation Account (FECA) and the Extended Unemployment Compensation Account (EUCA) and any other accounts of Federal funds in the UTF, or the Federal %.

The State shall calculate the actual interest earnings and the related banking costs attributable to funds withdrawn from the State account in the UTF by multiplying the State % by the amount of the actual interest earnings and the related banking costs of the account as a whole. The States liability for interest on funds withdrawn from its account in the UTF shall consist of the actual interest earnings attributable to such funds less the related banking costs attributed to such funds.

The State shall determine the average daily cash balance of its unemployment compensation benefit payment account for its fiscal year. The State shall calculate the average daily cash balance of Federal funds by multiplying the Federal % by the average daily cash balance of the benefit payment account on the whole. The States liability for interest on funds withdrawn from the FECA and EUCA (and any other benefit accounts of Federal funds in the UTF from which the State draws funds) shall be the average daily cash balance of Federal funds multiplied by the annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during the States fiscal year.

8.4 Refund Liabilities

8.4.1 The State shall be liable for interest on refunds from the date the refund is credited to a State account until the date the refund is debited from the State account for program purposes. The State shall apply a $50,000 refund transaction threshold below which the State shall not incur or calculate interest liabilities on refunds. A transaction is defined as a single deposit.

8.4.2 For each refund, the State shall maintain information identifying:
(1) date a refund is credited to a State account
(2) date of the subsequent deposit of Federal funds against which the refund is offset
(3) amount of the refund

8.4.3 The State shall use the following methodology to calculate interest liabilities on refunds:

Refunds Deposited to Interest Neutral Programs:
With programs to which applicable interest neutral funding techniques are applied, the State interest liability shall be based on the difference in whole days between the date the refund is deposited in a State account and the date the refund is offset against a subsequent deposit of Federal funds.

8.5 Exemptions

8.5.1 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 interest calculation procedures 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.

Proration of calculations: If less than total program funding is subject to interest calculation procedures, the resulting interest liability calculations shall be prorated to 100% of program funding.

8.6 State Interest Liabilities

8.6.1 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.

8.6.2 The State shall use the following method to calculate State interest liabilities on Federal funds:

8.6.3 Measuring Time Funds Are Held

To determine the total time Federal funds are held, the State shall measure the time between the date Federal funds are received and credit to a State's account and the date those funds are debited from the State's account.

8.6.4 Source of Data

Central Accounting System:
The time period from deposit to clearance shall be determined from information captured by the State agency's accounting system.

8.6.5 Standards Applied

Statistical Sampling (Pre-Issuance):
To measure the time Federal funds are held in a State account prior to being disbursed, the State shall use statistical sampling. The sample shall be randomly selected, and shall be of sufficient size to ensure, at a minimum, a 95% confidence interval no wider than ± 0.3 dollar-weighted days about the estimated mean.

For each check in the sample population, the State shall:
1 subtract the deposit date from the issuance date
2 multiply the difference of step 1 by the check amount
3 divide the product of step 2 by the total amount of funds drawn in the sample to determine the dollar-weighted pre-issuance time for that check

The State shall then sum the dollar-weighted pre-issuance time for each check to arrive at the total dollar-weighted average pre-issuance time to be used for calculating State interest liabilities.

8.6.6 Calculation Procedure

Pre-Issuance Time + Clearance Time:
$I = P \times r \times \{PI + CT\}$, where

I = State's total interest liability

P = Total annual expenditures of Federal funds for program or component cash flow of program

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 = Dollar-weighted average number of days Federal funds are held by State prior to issuance

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

9.0 Reverse Flow Programs

State Exempt - Non-Participation
The State is not required to cover any reverse flow programs under the terms of this Agreement because the State does not participate in the program.

10.0 INTEREST CALCULATION COSTS

10.1 As set forth in 31 CFR 205.27, interest calculation costs are defined as those costs necessary for the actual calculation of interest, including the cost of developing and maintaining clearance patterns in support of the interest calculations. Interest calculation costs do not include expenses for normal disbursing services, such as processing of checks or maintaining records for accounting and reconciliation of cash balances, or expenses for upgrading or modernizing accounting systems. Interest calculation costs in excess of $50,000 in any year are not eligible for reimbursement, unless the State provides justification with the annual report.

10.2 The State expects to incur the following types of interest calculation costs:

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

10.3 The State shall submit all claims for reimbursement of interest calculation costs with its Annual Report in accordance with 31 CFR 205.

11.0 NON-COMPLIANCE

11.1 The provisions of 31 CFR Part 205.29 and 31 CFR Part 205.30 shall apply in cases of non-compliance with the terms of this Agreement.

12.0 AUTHORIZED SIGNATURES

Robert Powell
State Controller

Signature: _____ Date Signed: 5/28/08

Sheryl R. Morrow
Assistant Commissioner
Federal Finance
Financial Management Service
U.S. Department of the Treasury

Signature: _____ acting Date Signed: 6/19/2008

Date Submitted 5/21/2008

~~Gary E. Grippo~~
~~Assistant Commissioner~~
~~Federal Finance~~
~~Financial Management Service~~
~~U.S. Department of the Treasury~~

~~Signature:~~ _____ ~~Date Signed:~~ _____

Exhibit I - Funds Request and Receipt Times Schedule
The State of North Carolina

Federal Agency	Payment Type	Request Cut-Off Time	Receipt Window
Agriculture - FS	ACH	3:00 pm, EST	Next Day
Agriculture - FNS	ACH	11:59 pm, EST	Next Day
	Fedwire	5:45 pm, EST	Same Day
Commerce - NOAA	ACH	2:00 pm, EST	Next Day
Education	ACH	3:00 pm, EST	Next Day
	Fedwire	2:00 pm, EST	Same Day
Energy	ACH	4:00 pm, EST	Next Day
	Fedwire	3:00 pm, EST	Same Day
EPA	ACH	2:00 pm, EST	Two Days
	Fedwire	2:00 pm, EST	Same Day
HHS	ACH	6:30 pm, EST	Next Day
	Fedwire	3:00 pm, EST	Same Day
HUD	ACH	6:00 pm, EST	Two Days
	Fedwire	3:00 pm, EST	Same Day
Interior - FWS	ACH	6:30 pm, EST	Next Day
Interior - OSM	ACH	11:59 pm, EST	Next Day
	Fedwire	1:00 pm, EST	Same Day
Justice - OJP	ACH	2:00 pm, EST	Two Days
Labor - UTF	ACH/Fedwire	3:00 pm, EST/3:00 pm, EST	Next Day/Same Day
Labor - Non-UTF	ACH	3:00 pm, EST	Next Day
National Science Foundation (NSF)	ACH	8:00 pm, EST	Two Days
Social Security Administration	ACH	11:59 pm, EST	Next Day
	Fedwire	5:45 pm, EST	Same Day
Transportation (FTA)	ACH	12:00 Noon, EST	Next Day
Transportation (FAA)	ACH	2:00 pm, EST	Next Day
Transportation (FHWA)	ACH/Fedwire	12:00 Noon, EST/12:00 Noon, EST	Three Days/Same Day
Veterans Affairs	ACH	12:00 Noon, EST	Three Days
Army National Guard	ACH	12:00 Noon, EST	15 Days
Air National Guard	ACH	12:00 Noon, EST	15 Days
Homeland Security - FEMA	ACH	7:30 pm, EST	Next Day
Homeland Security - TSA	Fedwire	2:00 pm, EST	Same Day
Homeland Security - OPO/GFAD			
Interior - OIA	ACH	10:00 am, MST	Two Days
	Fedwire	10:00 am, MST	Two Days

Exhibit II - The State of North Carolina
LIST OF STATE CLEARANCE TIMES
(Rounded Dollar-Weighted Average Day of Clearance)
Clearance Times Where the Timing of A Draw Down Is Based on A Clearance Pattern

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
10.551	Food Stamps	Department of Health and Human Services	100	Benefits to Recipients	Actual Clearance, ZBA - Same Day Payment	0 Days
10.553	School Breakfast Program	Department of Public Instruction	98	Direct Program Costs	Pre-Issuance	7 Days
10.553	School Breakfast Program	Department of Public Instruction	2	Direct Administrative Costs	Pre-Issuance	7 Days
10.555	National School Lunch Program	Department of Public Instruction	100	Direct Program Costs	Pre-Issuance	7 Days
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health and Human Services	97	Direct Program Costs	Pre-Issuance	7 Days
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Department of Health and Human Services	3	Payroll	Average Clearance	7 Days
10.558	Child and Adult Care Food Program	Department of Health and Human Services	100	Direct Program Cost	Pre-Issuance	7 Days
10.561	State Administrative Matching Grants for Food Stamp Program	Department of Health and Human Services	3	Direct Administrative Costs	Pre-Issuance	7 Days
10.561	State Administrative Matching Grants for Food Stamp Program	Department of Health and Human Services	97	Payroll	Average Clearance	7 Days
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Employment Security Commission	72	Payroll	Average Clearance	4 Days
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Employment Security Commission	7	Indirect	Actual Costs - Estimated Allocation - Monthly	4 Days
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Employment Security Commission	21	Administrative Cost	Pre-Issuance	4 Days
17.225	Unemployment Insurance -- State Benefit Account	Employment Security Commission	100	Direct Program Cost	Pre-Issuance	5 Days
17.245	Trade Adjustment Assistance -- Workers	Employment Security Commission	3	Payroll	Direct Administrative Costs - Drawdowns on a Payroll Cycle	5 Days
17.245	Trade Adjustment Assistance -- Workers	Employment Security Commission	3	Indirect	Actual Costs - Estimated Allocation - Monthly	5 Days

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
17.245	Trade Adjustment Assistance -- Workers	Employment Security Commission	94	Administrative Costs	Pre-Issuance	5 Days
20.205	Highway Planning and Construction	Department of Transportation	100	All Costs	Composite Clearance	7 Days
84.010	Title I Grants to Local Educational Agencies	Department of Public Instruction	1	Payroll Costs	Average Clearance	7 Days
84.010	Title I Grants to Local Educational Agencies	Department of Public Instruction	98	Program Costs	Pre-Issuance	7 Days
84.010	Title I Grants to Local Educational Agencies	Department of Public Instruction	1	Administrative Costs	Pre-Issuance	7 Days
84.027	Special Education -- Grants to States	Department of Public Instruction	1	Indirect Costs	Direct Administrative Costs - Drawdowns at Fixed Intervals	7 Days
84.027	Special Education -- Grants to States	Department of Public Instruction	95	Program Costs	Pre-Issuance	7 Days
84.027	Special Education -- Grants to States	Department of Public Instruction	3	Administrative Costs	Pre-Issuance	7 Days
84.027	Special Education -- Grants to States	Department of Public Instruction	1	Payroll Costs	Average Clearance	7 Days
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Department of Health and Human Services	33	Payroll Costs	Average Clearance	8 Days
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Department of Health and Human Services	65	Program Costs	Pre-Issuance	8 Days
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Department of Health and Human Services	2	Administrative Costs	Pre-Issuance	8 Days
84.367	Improving Teacher Quality State Grants	Department of Public Instruction	2	Administrative Costs	Pre-Issuance	7 Days
84.367	Improving Teacher Quality State Grants	Department of Public Instruction	97	Program Costs	Pre-Issuance	7 Days
84.367	Improving Teacher Quality State Grants	Department of Public Instruction	1	Payroll Costs	Average Clearance	7 Days
93.268	Childhood Immunization Grants	Department of Health and Human Services	94	Program Costs	Pre-Issuance	6 Days
93.268	Childhood Immunization Grants	Department of Health and Human Services	1	Payroll Costs	Average Clearance	6 Days
93.268	Childhood Immunization Grants	Department of Health and Human Services	5	Administrative Costs	Pre-Issuance	6 Days
93.558	Temporary Assistance for Needy Families	Department of Health and Human Services	1	Payroll Costs	Average Clearance	6 Days

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
93.558	Temporary Assistance for Needy Families	Department of Health and Human Services	94	Program Costs	Pre-Issuance	6 Days
93.558	Temporary Assistance for Needy Families	Department of Health and Human Services	5	Administrative Costs	Pre-Issuance	6 Days
93.563	Child Support Enforcement	Department of Health and Human Services	14	Payroll Costs	Average Clearance	7 Days
93.563	Child Support Enforcement	Department of Health and Human Services	4	Indirect Costs	Actual Costs - Estimated Allocation - Monthly	7 Days
93.563	Child Support Enforcement	Department of Health and Human Services	31	Administrative Costs	Pre-Issuance	7 Days
93.563	Child Support Enforcement	Department of Health and Human Services	51	Program Costs	Pre-Issuance	7 Days
93.575	Child Care and Development Block Grant	Department of Health and Human Services	13	Payroll Costs	Average Clearance	5 Days
93.575	Child Care and Development Block Grant	Department of Health and Human Services	49	Program Costs	Pre-Issuance	5 Days
93.575	Child Care and Development Block Grant	Department of Health and Human Services	2	Indirect Costs	Actual Costs - Estimated Allocation - Monthly	5 Days
93.575	Child Care and Development Block Grant	Department of Health and Human Services	36	Administrative Costs	Pre-Issuance	5 Days
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Health and Human Services	99	Program Costs	Pre-Issuance	9 Days
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Department of Health and Human Services	1	Administrative Costs	Pre-Issuance	9 Days
93.658	Foster Care -- Title IV-E	Department of Health and Human Services	97	Program Costs	Pre-Issuance	6 Days
93.658	Foster Care -- Title IV-E	Department of Health and Human Services	2	Administrative Costs	Pre-Issuance	6 Days
93.658	Foster Care -- Title IV-E	Department of Health and Human Services	1	Payroll Costs	Average Clearance	6 Days
93.667	Social Services Block Grant	Department of Health and Human Services	92	Program Costs	Pre-Issuance	3 Days
93.667	Social Services Block Grant	Department of Health and Human Services	4	Administrative Costs	Pre-Issuance	3 Days
93.667	Social Services Block Grant	Department of Health and Human Services	4	Payroll Costs	Average Clearance	3 Days
93.767	State Children's Insurance Program	Department of Health and Human Services	2	Administrative Costs	Pre-Issuance	10 Days

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
93.767	State Children's Insurance Program	Department of Health and Human Services	98	Program Costs	Pre-Issuance	10 Days
93.778	Medical Assistance Program	Department of Health and Human Services	98	Program Costs	Pre-Issuance	4 Days
93.778	Medical Assistance Program	Department of Health and Human Services	2	Administrative Costs	Pre-Issuance	4 Days

I hereby certify that an authorized State official has certified at least every five years that the "Rounded Days of Clearance" listed in Exhibit 2 of this Treasury-State Agreement:
1. Have been prepared in accordance with the standards provided in 31 CFR 205.20;
2. Accurately represent the flow of Federal funds under the Federal assistance programs to which they apply;
3. Reflect seasonal or other periodic variations in the clearance activities; and,
4. Are auditable.

Date: May 27, 2008

Printed Name: Amber B. Young

Certifying Signature: Amber B. Young

Title: State Cash Management Officer