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the United States, and in any event shall so remit no later than 10 days after receipt of such a payment.

(ii) Subject to the waiver in paragraph (f)(2)(iii) of this section, each obligor on a security pledged by a depository pursuant to this section, upon notification that the Treasury is entitled to any payment associated with that pledged security, shall make each payment of principal and/or interest due with respect to such security directly to the FRB of the district, as fiscal agent of the United States.

(iii) The requirements of paragraphs (f)(2)(i) and (ii) of this section are hereby waived for only so long as a pledging depository avoids both termination from the program under §203.7; and also, those circumstances identified in paragraph (f)(1) which may lead to the collection of the proceeds of collateral or the waiver is otherwise terminated by Treasury.

[63 FR 5650, Feb. 3, 1998, as amended at 65 FR 55429, Sept. 13, 2000]

PART 204 [RESERVED]

PART 205—RULES AND PROCEDURES FOR FUNDS TRANSFERS

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Subpart C [Reserved]

AUTHORITY: 5 U.S.C. 301; 31 U.S.C. 321, 3335, 6501, 6503.

SOURCE: 57 FR 60676, Dec. 21, 1992, unless otherwise noted.

§ 205.1 Purpose.

Subparts A and B of this part implement the Cash Management Improvement Act and prescribe rules and procedures for the transfer of funds between the Federal Government and the States for Federal grant and other programs. Subpart C of this part is reserved and, if issued, may implement other authorities and govern transactions outside the scope of subparts A and B.

§ 205.2 Scope of part.

(a) Subparts A and B apply to programs listed in the Catalog of Federal Domestic Assistance. Pursuant to chapter 61 of title 31, United States Code.

(b) This part does not generally apply to direct loan programs.

(c) This part does not apply to payments made to States acting as vendors on Federal contracts, which are subject to the Prompt Payment Act of 1982, as amended, 31 U.S.C. 3901 *et seq.*, Office of Management and Budget (OMB) Circular A-125 "Prompt Payment," and 48 CFR part 32.

(d) This part does not apply to the Tennessee Valley Authority (TVA) or programs administered by the TVA.

§ 205.3 Definitions.

For the purpose of this part:

Administrative cost grant means a grant exclusively for administrative

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expenses under a program with separate grant awards for benefit payments and administrative expenses.

Auditable means the sources of data and information for a calculation are readily available, fully documented, and verifiable, such that the calculation can be replicated and proven to comply with all pertinent standards.

Authorized State official means a person with the authority under the laws of a State to make commitments on behalf of the State for the purposes of this regulation, or that person's official designee as certified in writing.

Check means a negotiable demand draft or warrant.

Clearance pattern means a frequency distribution showing the proportion of a total amount disbursed that is debited against the payor's bank account each day after the disbursement.

Current project cost means a cost for which the liability has been recorded on or after the day on which a State last requested funds for the project.

Day means a calendar day unless otherwise specified.

Disburse means to issue a check or initiate an electronic funds transfer payment.

Discretionary grant project means a project for which a Federal agency is statutorily authorized to exercise judgment in awarding a grant and in selecting a grantee, generally through a competitive process.

Drawdown means a process whereby a State requests and receives Federal funds.

Electronic funds transfer (EFT) means, in the context of Federal payments to States, the delivery of funds through wire transfer or the Automated Clearing House.

Equivalent rate means auction average equivalent yield, also known as the auction average investment rate of 13-week Treasury bills.

Federal agency means an executive agency as defined by section 102 of title 31, United States Code, exclusive of the TVA.

Federal-State agreement means an agreement between a State and a Federal program agency specifying terms and conditions for carrying out a program or group of programs, but does

not mean a Treasury-State Agreement described in § 205.9.

Fiscal year means, unless otherwise indicated, a State's budget year ending in the specified calendar year.

Issue checks means to release or distribute checks to the payees.

Major Federal assistance program is defined in appendix A to subpart A of this part.

Obligational authority means the existence of a definite commitment on the part of the Federal Government to provide appropriated funds to a State to carry out specified programs, whether the commitment is executed before or after a State pays out funds for program purposes. This term means that an obligation to a State has been executed and does not refer to the amount of budgetary resources available.

Pay out means to debit the payor's bank account.

Pay out funds for program purposes means, in the context of State payments, to debit a State account for the purpose of making a payment to:

(1) A person or entity that is not considered part of the State pursuant to the definition of "State" in this section, or

(2) A State entity for the procurement of goods or services for the direct benefit or use of the payor State entity or the Federal Government.

Program means the range of activities encompassed under, and classified by, a Catalog of Federal Domestic Assistance number (CFDA #).

Refund means a recovery of funds previously paid out for program purposes.

Related banking costs means stand-alone, non-credit services which are considered necessary and/or customary for sustaining an account in a financial institution, whether in commercial financial institutions or State Treasurer accounts. Investment service fees are not related banking costs.

Request for funds means a solicitation for funds that is completed and submitted in accordance with Federal agency guidelines.

Secretary means the Secretary of the United States Department of the Treasury. The Financial Management

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Service (FMS) is the Secretary's representative in all matters concerning this part, unless otherwise specified.

State means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, the Virgin Islands, and an agency, instrumentality, or fiscal agent of a State so defined, but does not mean a local government or an Indian tribal government.

(1) A State agency or instrumentality is any organization of the primary government of the State financial reporting entity, as defined by Generally Accepted Accounting Principles, excluding institutions of higher education, hospitals, and nonprofit organizations.

(2) A fiscal agent of a State is an entity that pays, collects, or holds Federal funds on behalf of the State in furtherance of a Federal program, excluding private nonprofit community organizations.

Trust fund for which the Secretary is the trustee means a trust fund administered by the Secretary.

[57 FR 60676, Dec. 21, 1992, as amended at 59 FR 28262, June 1, 1994]

Subpart A—Negotiation of Intergovernmental Agreements for Financing Federal Assistance Programs—Interest Liabilities on Intergovernmental Funds Transfers

§ 205.4 Scope of subpart.

(a) *Initial programs.* From the later of July 1, 1993, or the first day of a State's 1994 fiscal year, to the end of a State's 1994 fiscal year, this subpart applies, at a minimum, to the following programs, provided they meet the threshold for major Federal assistance programs in the State:

Alcohol and Drug Abuse and Mental Health Services Block Grant (CFDA 93.992);
Chapter 1 Programs—Local Educational Agencies (CFDA 84.010);
Child Support Enforcement (CFDA 93.023);
Family Support Payments to States (CFDA 93.020);

Foster Care—Title IV-E (CFDA 93.658);
Highway Planning and Construction (CFDA 20.205);
Job Opportunities and Basic Skills Training (CFDA 93.021)
Job Training Partnership Act (CFDA 17.250);
Low-Income Home Energy Assistance (CFDA 93.028);
Medical Assistance Program (CFDA 93.778);
National School Lunch Program (CFDA 10.555);
Nutrition Assistance for Puerto Rico (CFDA 10.566).
Pell Grant Program (CFDA 84.063);
Rehabilitation Services—Basic Support (CFDA 84.126);
Social Services Block Grant (CFDA 93.667);
Special Education—State Grants (CFDA 84.027);
Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557);
State Administration Matching Grants—Food Stamp Program (CFDA 10.561);
Supplemental Security Income (CFDA 93.807);
Unemployment Insurance (CFDA 17.225);

(b) *Threshold of materiality.* From the later of July 1, 1994, or the beginning of a State's 1995 fiscal year, and thereafter, this subpart applies, at a minimum, to all programs that meet the threshold for major Federal assistance programs in a State.

(c) *Determining major Federal assistance programs.* Unless otherwise specified in a Treasury-State Agreement, major Federal assistance programs will be determined from the most recent Single Audit data available from the U.S. Bureau of the Census and, if necessary, other data from the most recent fiscal year for which funding can be documented.

(d) *Covering additional programs.* A State and the FMS may agree, in a Treasury-State Agreement, to cover additional programs under this subpart. However, the FMS has unilateral authority to require a State and a Federal agency to cover additional programs under this subpart if a State or a Federal agency fails to comply with