# Cash Management Improvement Act Agreement
# between
# The Commonwealth of Virginia
# 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 Commonwealth of Virginia (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 Commonwealth of Virginia shall be the Comptroller of Virginia in all matters concerning this Agreement.

1.2 The Assistant Commissioner, Revenue Collections Management, Bureau of the Fiscal Service (Fiscal Service), 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. 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 07/01/2015 and shall remain in effect until 06/30/2016.

3.2 This Agreement may be amended at any time by written, mutual consent of the State and the Fiscal Service. 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 the Fiscal Service 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 the Fiscal Service.

3.2.1 Virginia monitors check clearance patterns monthly and calculates a dollar weighted average for the latest 3-month and 12-month periods to accommodate seasonal variation. Clearance patterns often fluctuate by one or more days (rounded) during the year. To avoid having to submit unnecessary formal TSA amendments; Virginia agrees to submit a formal TSA amendment to address clearance pattern changes as follows:

Whenever the latest clearance pattern analysis indicates that the current federal drawdown is one or more days less than the scheduled days shown in the Exhibit II of the approved TSA, Virginia will continue to monitor the clearance pattern to determine if the change is due to a seasonal variation. Only when it has been determined that the change is not a result

of a seasonable variation and is one or more days less than the scheduled days shown in the approved TSA will Virginia submit a formal amendment because only more frequent federal drawdowns reduce cash availability at the Federal Grantor Agency.

Virginia will notify affected state agencies to adjust the timing of Federal fund transfers to be as close as administratively feasible to the State's actual cash outlay for direct program costs. Such notifications shall be made by the Virginia Department of Accounts (DOA) based on not less than the most recent three consecutive months of disbursement data provided by the bank.

3.3 Notwithstanding section 3.2, in the event of Federal or State non-compliance with Subpart B of 31 CFR, Part 205, the Fiscal Service 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, the Fiscal Service will prescribe the funding techniques, clearance patterns, and methods for calculating interest liabilities to be used by the State.

3.5 The State and the Secretary agree that no interest liabilities will be incurred or calculated for indirect costs, except in the instances of federally caused funding delays.

3.6 Significant delays in the receipt of federal funds, reported to DOA, that are not otherwise captured by the modified pre-issuance funding random sampling process will be included separately in the State's Annual Report to the Fiscal Service. The interest costs associated with these delays will be included for consideration by the Secretary as an offset to the State's overall annual interest liability.

3.7 Payments of federal funds to vendor State entities for goods or services rendered, including payments into Internal Service Funds or Enterprise Funds within the State's Comprehensive Annual Financial Report, are considered to be paid out for federal assistance program purposes pursuant to the definitions in 31 CFR 205.2.

3.8 This writing, along with the attachments referenced herein, constitutes the entire Agreement between the parties, supersedes any existing agreement between the parties hereto relative to the matters contained herein, and may be modified only by written amendment executed by the parties hereto. The parties hereto agree that if one party proposes an amendment, the other party shall respond in writing within 30 days of its receipt of the proposed amendment.

3.9 The laws of the Commonwealth of Virginia will govern this Agreement whenever State law is to be applied.

4.0 PROGRAMS COVERED

4.1 The State's threshold and its major Federal assistance programs shall be determined based on the Commonwealth's Single Audit Report for fiscal year ending 06/30/2014.

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 Supplemental Nutrition Assistance Program
10.553 School Breakfast Program

10.555 National School Lunch Program
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225S Unemployment Insurance -- State Benefit Account
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
93.558 Temporary Assistance for Needy Families
93.563 Child Support Enforcement
93.568 Low-Income Home Energy Assistance
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.767 Children's 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 Fiscal Service in accordance with the non-compliance provisions of Subpart B of 31 CFR Part 205:

There are currently 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:

84.038 Federal Perkins Loan Program -- Federal Capital Contributions --- Exclusion:Federal Statute - Full Exemption
84.063 Federal Pell Grant Program --- Exclusion:Federal Statute - Full Exemption
84.268 Federal Direct Student Loan --- Exclusion:Federal Statute - Full Exemption
93.268 Immunization Grants --- Exclusion:Non-Cash

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 for Aging and Rehabilitative Services (DARS)
Department for the Blind and Vision Impaired (DBVI)
Department of Education (DOE)
Department of Health (VDH)
Department of Housing and Community Development (DHCD)
Department of Medical Assistance Services (DMAS)
Department of Rail and Public Transportation (DRPT)
Department of Social Services (DSS)
Department of Transportation (VDOT)
Virginia Employment Commission (VEC)

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 the Section 4.0 of this Agreement:

Affiliated Computer Services, Inc. 10.551 Supplemental Nutrition Assistance Program
Xerox Corporation 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Xerox Corporation (formerly ACS State Healthcare, LLC) 93.767 Children's Health Insurance Program
Xerox Corporation (formerly ACS State Healthcare, LLC) 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.

6.1.6 There is no additional language listed for Section 6.1.6.

6.1.7 For DMAS: In instances where the receipt of funds is scheduled for a Saturday or 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 before 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.

In addition, the State will comply with the new protocols and processes specified by the Centers for Medicare and Medicaid Services (CMS) guidelines when requesting Federal funds from the Division of Payment Management and reporting Federal expenditures within the associated quarterly reporting periods during the Federal fiscal year. In

instances where the disbursement/expenditure has already been realized and posted to the State's accounting system but the receipt of the Federal funds is scheduled for deposit on a day beyond the end of a quarterly reporting period; the State shall request funds for deposit on the last business day of the associated quarterly reporting period. Adhering to this matching principle of accounting will allow the State to efficiently and accurately reconcile quarterly cash receipts reported on the quarterly Federal Financial Reports (FFR's) - Standard Form 425, and quarterly certified expenditures reported on the quarterly Federal CMS 21 and 64 Reports within the respective quarterly reporting period.

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 6.3.2 of this Agreement.

There are no funding techniques listed in Section 6.2.1

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 6.3.2 of this Agreement.

There are no funding techniques listed in Section 6.2.2

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 6.3.2 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 6.3.2 of this Agreement.

Actual Base Modified Monthly

(DOE 84.010, 84.027) The State shall request funds once each month, such that they are deposited not earlier than the 25th of the month, and not later than the end of the month. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request shall be determined by applying the indirect cost rate to the total prior month cost of salaries, fringe benefits, travel, materials, supplies, freight and express services, postal services, printing and reproduction, organization memberships, and convention and education services. Indirect costs are excluded from interest liabilities and calculations per Section 3.5 of this Agreement. This funding technique is interest neutral.

Actual Base Monthly

(DARS, DBVI 84.126) The State shall request funds once each month, such that they are deposited at the end of the month. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request shall be determined by applying the indirect cost rate to the appropriate direct cost base (usually salaries and wages) of the prior month. Indirect costs are excluded from interest liabilities and calculations per Section 3.5 of this Agreement. This funding technique is interest neutral.

Actual Base Quarterly

(VDH 10.557) The State shall request funds once a quarter, such that they are deposited on or about the middle of the first month, following the quarter and not later than the end of the same month. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request shall be determined by applying the indirect cost rate to the appropriate direct cost base

(usually salaries and wages) of the quarter. Indirect costs are excluded from interest liabilities and calculations per Section 3.5 of this Agreement. This funding technique is interest neutral.

Actual Clearance: CDA for EFT Payments by the Fiscal Agent

(DMAS 93.767, 93.778) In a Controlled Disbursement Account (CDA) for EFT Payments by the Fiscal Agent, the State shall request funds the same day that it pays out funds in accordance with the cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. HHS will deposit the 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 bank by EFT that day. This funding technique is interest neutral.

Actual Clearance: ZBA

(DOE 10.553, 10.555, 84.010, 84.027) For the program components called Weekly EDI Payments to Local Governments, the Virginia Department of Education (DOE) shall request funds such that they are deposited in a State account on the settlement date of the EDI payments issued by the State to local governments. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request shall be for the amount of the EDI payments that clear the State's account on the settlement date. DOE shall maintain an audit trail of the request dates and the amounts requested and deposit dates and the amounts deposited. If it is determined that the Federal government is the cause of a late payment, the State is owed interest from the day the State pays out its own funds until the day Federal funds are deposited in a State account. This funding technique is interest neutral.

Actual Costs - Estimated Allocation (Semi-Monthly)

(DSS 10.561, 93.558, 93.563, 93.568) The State shall request funds at semi-monthly intervals, such that funds are deposited on or about the 1st and the 16th of the month. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request shall be an estimated allocation derived from prior quarter data as allocated based on the Cost Allocation Plan. Each quarter, after actual costs have been determined, the State shall adjust the estimated allocations to actual allocations based on an approved cost allocation plan. Indirect costs are excluded from interest liabilities and calculations per Section 3.5 of this Agreement. This funding technique is interest neutral.

Actual Costs - Estimated Allocation Monthly

(DSS 10.561, 93.558, 93.568, 93.778) The State shall request funds once a month such that the funds are deposited on the fifth business day before the end of the month to fund the activities of the prior month. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of each monthly request shall be an estimated allocation derived from prior quarter data as allocated based on the Cost Allocation Plan. Each quarter, after actual costs have been determined, the State shall adjust the estimated allocations to actual allocations based on an approved cost allocation plan. This funding technique is interest neutral.

Annually

(DMAS 93.767, 93.778) The Commonwealth shall draw down statewide indirect costs once a year, upon receipt of the federally approved amount from DOA. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. An interest liability shall not be incurred per Section 3.5 of this agreement. This funding technique is interest neutral.

Average Clearance Funding Technique for the Medicaid/CHIP Combined Account

(DMAS 93.767, 93.778) The Medicaid/ Children's Health Insurance Program (CHIP) programs use a combined bank account for weekly remittance checks issued on a fixed weekly schedule by the Department of Medical Assistance Services (DMAS) Fiscal Agent. Checks issued by the DMAS Fiscal Agent exclude DMAS Fiscal Agent manual remittance check payments and EFT transfers.

For weekly remittance checks issued each Friday by the DMAS Fiscal Agent, the State shall request funds as a single weekly drawdown request for deposit on the dollar-weighted average day of check clearance. The request for Federal funds shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. In the event that the check clearance pattern should change to a day less than that shown in Exhibit II, DMAS will notify the Department of Accounts (DOA) that it needs to adjust the drawdown to one day less than that shown in Exhibit II to avoid having the account go negative. The clearance pattern calculation will be based upon the latest 3 months. DOA will review the new check clearance pattern calculation and confirm to DMAS that it can begin drawing down funds on the lower day. DOA will notify the Bureau of the Fiscal Service of any changes. Any said clearance pattern changes by DMAS and confirmed by DOA will not require the submission of a formal amendment to the TSA. Per §205.12 (3) of the Federal CMIA regulations, the dollar-weighted average day of clearance is the day when, on a cumulative basis, 50 percent of the funds have been paid out. To comply with §205.12 (3), DMAS shall determine the dollar-weighted average day of check clearance, Department of Accounts (DOA) concurring, from the latest three consecutive months of bank float reports for the Combined Medicaid/CHIP bank account. The bank provides monthly float reports to the DMAS Fiscal Agent who forwards them to DMAS and DOA. This funding technique is interest neutral.

Average Clearance Technique for Maintenance Payments to Beneficiaries

(DSS 93.558, 93.568) For the direct cost components in the Temporary Assistance for Needy Families (TANF) and Low-Income Home Energy Assistance Program (LIHEAP) programs (CFDA #'s 93.558 and 93.568), the State shall request funds for deposit on the dollar weighed average number of days required for related funds to clear the bank. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The check issuance dates are set by DSS. The monthly dollar weighted average number of days from the check issuance date to the bank clearance date for social service benefits is calculated by the bank, and distributed to DOA. DOA shall prepare and advise DSS of the dollar weighted average clearance days to be used for timing the drawdown of Federal TANF and LIHEAP funds. This estimate shall be based on not less than three consecutive months of disbursement data provided by the bank. This funding technique is interest neutral.

Fixed Administrative Allowance (Semi-monthly Payroll)

(VEC 17.225F) The State shall make semi-monthly requests for payroll funds such that they are deposited by ACH on the average day of clearance for the payroll in accordance with the statewide payroll check clearance pattern, modified by the percentage of payroll direct deposits for VEC. The request for funds shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request for funds shall be the estimated payroll portion of the annual grant award divided by 24. The estimate of the payroll portion shall be based upon the actual proportion of payroll costs to total grant costs in the previous quarter. After reconciling the difference between the estimate and the State's actual expenditures, at the end of each quarter, the agency recalculates its quarterly drawdown schedule. This schedule compares the cumulative year to date and quarterly expenditures. Any overage/shortage is taken into consideration during the recalculation of the schedule and is adjusted on the first drawdown of the quarter. VEC submits electronic reports to the U. S. Department of Labor quarterly that include cash receipts and expenditure data that is reconciled to VEC's internal records. This funding technique is interest neutral.

Modified Pre-Issuance Funding

(VDH 10.557, DARS, DBVI 84.126, DMAS 93.767, 93.778) The Commonwealth shall request Federal funds so that they are deposited not more than three business days prior to the day on which the related expenditure is recorded in the Commonwealth's Accounting and Reporting System (CARS), and not later than the day the related payment is issued by the Commonwealth. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request should be the amount that the State expects to disburse. Under this modified pre-issuance funding technique, Federal funds may be deposited after the related expenditure recording date in CARS, provided sufficient Federal cash was on hand at the time the related expenditure was released into CARS. This funding technique is not interest neutral.

Payment Schedule (Semi-monthly Nonpersonal Services)

(VEC 17.225F) The State shall request funds such that they are deposited in a State account on the median business day between semimonthly paydays. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request for funds shall be the estimated nonpersonal services portion of the annual grant award divided by 24 with the exception of automation money which will be requested when expended. The estimate of the nonpersonal services portion shall be based upon the actual proportion of nonpersonal service costs to total grant costs in the previous quarter. After reconciling the difference between the estimate and the State's actual expenditures, at the end of each quarter, the agency recalculates its quarterly drawdown schedule. This schedule compares the cumulative year to date and quarterly expenditures. Any overage/shortage is taken into consideration during the recalculation of the schedule and is adjusted on the first drawdown of the quarter. VEC submits electronic reports to the U. S. Department of Labor quarterly that include cash receipts and expenditure data that is reconciled to VEC's internal records. An interest liability will not be incurred by using this technique. This funding technique is interest neutral.

Payment Schedule Two-Week Intervals

(DSS 93.596) The State shall draw down 1/6th of the quarterly award at two-week intervals at the midpoint of interval, which is on or about the 1st and the 16th of the month. The request shall be made in accordance with the appropriate cutoff time specified in Exhibit I and the State clearance days shown in Exhibit II. The semimonthly amount drawn will be 1/6th of the quarterly award. This funding technique is interest neutral.

Post Expenditure Funding

(DOE 10.553, 10.555, 84.010, 84.027),(DSS 10.561, 93.558, 93.568),(VDOT, DRPT 20.205) The State shall request Federal funds only after related expenditures have been recorded in the Commonwealth's Accounting and Reporting System (CARS). The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. When using this funding technique, neither the State nor the Federal government shall be required to calculate or incur an interest liability. The State voluntarily waives Federal interest liabilities resulting from the post expenditure funding technique. This funding technique is interest neutral.

Post Expenditure Funding Technique for the WIC Program

(VDH 10.557) Every State business day, the State shall draw down and deposit federal funds to the State's bank clearance account for the WIC program. The fiscal agent, Xerox Corporation of Norwalk, Connecticut request daily wire transfers from the State's clearance account in amounts equal to WIC drafts approved for payment each day. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The State uses a Post Expenditure Funding Technique for the WIC program because the Virginia

Department of Health (VDH) draws an amount equal to the prior day's expenditure. This requires the State to maintain an estimated amount in the Bank Clearance Account to avoid a negative balance due to fluctuations in the Fiscal Agent's daily requests for payment vouchers. Each day, the previous day's expenditures are reconciled against the current day's deposit. When using this funding technique, neither the State nor the Federal government shall be required to calculate or incur an interest liability. The State voluntarily waives Federal interest liabilities resulting from the Post Expenditure Funding Technique. This funding technique is interest neutral.

Proportionate Share

(VEC 17.225F) The State shall include a proportionate share of the indirect cost allowance in each request for funds by applying the indirect cost rate to the appropriate direct cost base (usually salaries and wages) of each drawdown. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. Indirect costs are excluded from interest liabilities per Section 3.5 of this Agreement. This funding technique is interest neutral.

ZBA - SNAP Benefits

(DSS 10.551) Electronic Benefit Transfer (EBT) Funding: Xerox Services will draw down federal funds from the Supplemental Nutrition Assistance Program (SNAP) letter of credit through ASAP to cover the amount of EBT transactions being settled that day. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. Funds from the ASAP payment request are wired by Federal Reserve Bank of Richmond (FRB Richmond) to the VA EBT Clearing account. EDS provides an auto-reconciliation file to Xerox Services on a daily basis that is used to reconcile the draw down against the amount of the ACH debit, and adjustments are netted against the next subsequent payment request. This funding technique is interest neutral.

ZBA - UI Benefits-ACH

(VEC 17.225F, 17.225S) EFT payments are estimated at more than 99% of total Unemployment Insurance benefits. For payments to recipients in the Unemployment Insurance (UI) Benefits Program by electronic funds transfer (EFT) that are received by the Trust Fund accountant by 12 noon each business day, VEC shall request State and Federal Funds such that they are deposited in the benefit account on the respective settlement date(s) of the EFT payments to recipients. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request for Federal and State unemployment benefits shall be based on the amount of payments presented for payment that day as reported by the bank. The Bureau of the Fiscal Service will deposit the funds in the State account the same day as requested. The drawdown request shall be adjusted by any refunds in accordance with Section 8.8.4 of the TSA. Federal expenditures are reconciled quarterly through the federal ETA 191 report which shows benefit expenditures for each federal agency. The total for each type of federal agency is compared to the agency's internal Trust Fund records, and any overage/shortage is adjusted to regular UI expenditures funded from Virginia's Trust Fund. Benefit expenditures, both regular UI and federal benefits, occur daily, and the assurance that drawdowns of federal funds do not exceed federal expenditures lies in our maintaining a negative book balance insofar as there are outstanding checks in the Fund. At Virginia's fiscal year end the state-mandated positive book balance will be maintained. This funding technique is interest neutral.

ZBA - TANF and LIHEAP Benefits by EFT

(DSS 93.558, 93.568, DHCD 93.568) For Maintenance payments to beneficiaries in the TANF and LIHEAP Programs by electronic means, including electronic funds transfer (EFT) and debit card transactions that are received by the Grants Administrative Supervisor by 12 noon each business day, DSS and DHCD shall request Federal Funds such that they are

deposited in a State account on the respective settlement date(s) of the EFT payments to beneficiaries. The request shall be made in accordance with the appropriate agency cut-off time specified in Exhibit I and the State clearance days shown in Exhibit II. The amount of the request(s) shall be the amount of related EFT funds clearing the bank on the respective settlement date(s). This funding technique is interest neutral.

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 Supplemental Nutrition Assistance Program
Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 100.00
Component: EBT Benefits to Recipients
Technique: ZBA - SNAP Benefits
Average Day of Clearance: N/A

10.553 School Breakfast Program
Recipient: Department of Education (DOE)
% of Funds Agency Receives: 99.00
Component: Weekly EDI Payments to Local Governments
Technique: Actual Clearance: ZBA
Average Day of Clearance: N/A

Recipient: Department of Education (DOE)
% of Funds Agency Receives: 1.00
Component: Other Direct Costs
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

10.555 National School Lunch Program
Recipient: Department of Education (DOE)
% of Funds Agency Receives: 99.00
Component: Weekly EDI Payments to Local Governments
Technique: Actual Clearance: ZBA
Average Day of Clearance: N/A

Recipient: Department of Education (DOE)
% of Funds Agency Receives: 1.00
Component: Direct Costs
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Recipient: Department of Health (VDH)
% of Funds Agency Receives: 1.00
Component: Indirect Costs
Technique: Actual Base Quarterly
Average Day of Clearance: N/A

Recipient: Department of Health (VDH)
% of Funds Agency Receives: 35.00
Component: Direct Costs (WIC Administration)
Technique: Modified Pre-Issuance Funding
Average Day of Clearance: N/A

Recipient: Department of Health (VDH)
% of Funds Agency Receives: 64.00
Component: Direct Costs (WIC Food)
Technique: Post Expenditure Funding Technique for the WIC Program
Average Day of Clearance: N/A

10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 18.00
Component: State Indirect Costs
Technique: Actual Costs - Estimated Allocation (Semi-Monthly)
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 72.00
Component: Administrative Costs (Local)
Technique: Actual Costs - Estimated Allocation Monthly
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 10.00
Component: Other Direct Costs---Other Than Administrative Costs (Local)
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Virginia Employment Commission (VEC)
% of Funds Agency Receives: 26.00
Component: Unemployment Insurance Administration (Payroll)
Technique: Fixed Administrative Allowance (Semi-monthly Payroll)
Average Day of Clearance: 0 Days

Recipient: Virginia Employment Commission (VEC)

% of Funds Agency Receives: 14.00
Component: Unemployment Insurance Administration (Nonpersonal Services)
Technique: Payment Schedule (Semi-monthly Nonpersonal Services)
Average Day of Clearance: N/A

Recipient: Virginia Employment Commission (VEC)
% of Funds Agency Receives: 6.00
Component: Indirect Costs
Technique: Proportionate Share
Average Day of Clearance: N/A

Recipient: Virginia Employment Commission (VEC)
% of Funds Agency Receives: 54.00
Component: Unemployment Insurance Benefits by EFT (Federal)
Technique: ZBA - UI Benefits-ACH
Average Day of Clearance: N/A

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Virginia Employment Commission (VEC)
% of Funds Agency Receives: 100.00
Component: Unemployment Insurance Benefits by EFT (State)
Technique: ZBA - UI Benefits-ACH
Average Day of Clearance: N/A

20.205 Highway Planning and Construction
Recipient: Department of Rail and Public Transportation (DRPT)
% of Funds Agency Receives: 0.95
Component: Direct Costs
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

Recipient: Department of Transportation (VDOT)
% of Funds Agency Receives: 99.05
Component: Direct Costs for Current and Previously Capped Projects
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

84.010 Title I Grants to Local Educational Agencies
Recipient: Department of Education (DOE)
% of Funds Agency Receives: 0.10
Component: Indirect Costs
Technique: Actual Base Modified Monthly
Average Day of Clearance: N/A

Recipient: Department of Education (DOE)
% of Funds Agency Receives: 99.80

Component: Weekly EDI Payments to Local Governments
Technique: Actual Clearance: ZBA
Average Day of Clearance: N/A

Recipient: Department of Education (DOE)
% of Funds Agency Receives: 0.10
Component: Other Directs Costs
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

84.027 Special Education -- Grants to States
Recipient: Department of Education (DOE)
% of Funds Agency Receives: 2.00
Component: Indirect Costs
Technique: Actual Base Modified Monthly
Average Day of Clearance: N/A

Recipient: Department of Education (DOE)
% of Funds Agency Receives: 91.00
Component: Weekly EDI Payments to Local Governments
Technique: Actual Clearance: ZBA
Average Day of Clearance: N/A

Recipient: Department of Education (DOE)
% of Funds Agency Receives: 7.00
Component: Other Directs Costs
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

84.126 Rehabilitation Services -- Vocational Rehabilitation Grants to States
Recipient: Department for the Blind and Vision Impaired (DBVI)
% of Funds Agency Receives: 1.82
Component: Indirect Costs
Technique: Actual Base Monthly
Average Day of Clearance: N/A

Recipient: Department for Aging and Rehabilitative Services (DARS)
% of Funds Agency Receives: 17.41
Component: Indirect Costs
Technique: Actual Base Monthly
Average Day of Clearance: N/A

Recipient: Department for the Blind and Vision Impaired (DBVI)
% of Funds Agency Receives: 7.87
Component: Direct Costs
Technique: Modified Pre-Issuance Funding

Average Day of Clearance: N/A

Recipient: Department for Aging and Rehabilitative Services (DARS)
% of Funds Agency Receives: 72.90
Component: Direct Costs
Technique: Modified Pre-Issuance Funding
Average Day of Clearance: N/A

93.558 Temporary Assistance for Needy Families
Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 4.00
Component: Indirect Costs
Technique: Actual Costs - Estimated Allocation (Semi-Monthly)
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 42.00
Component: Administrative Costs (Local)
Technique: Actual Costs - Estimated Allocation Monthly
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 5.00
Component: Direct Costs for Maintenance Payments to Beneficiaries - Checks
Technique: Average Clearance Technique for Maintenance Payments to Beneficiaries
Average Day of Clearance: 10 Days

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 4.00
Component: Other Direct Costs (Other than Maintenance Payments, Admin Local and Pass Thru)
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 45.00
Component: Direct Costs for Maintenance Payments to Beneficiaries -- EFT
Technique: ZBA - TANF and LIHEAP Benefits by EFT
Average Day of Clearance: N/A

93.563 Child Support Enforcement
Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 100.00
Component: All Administrative Costs
Technique: Actual Costs - Estimated Allocation (Semi-Monthly)
Average Day of Clearance: N/A

93.568 Low-Income Home Energy Assistance
Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 3.00
Component: Indirect Costs
Technique: Actual Costs - Estimated Allocation (Semi-Monthly)
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 3.00
Component: Administrative Costs (Local)
Technique: Actual Costs - Estimated Allocation Monthly
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 31.00
Component: Maintenance Payments to Beneficiaries - Checks
Technique: Average Clearance Technique for Maintenance Payments to Beneficiaries
Average Day of Clearance: 10 Days

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 8.00
Component: Other Direct Costs (Other than Maintenance Payments and Admin Local)
Technique: Post Expenditure Funding
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 40.00
Component: Direct Costs for Maintenance Payments to Beneficiaries - EFT
Technique: ZBA - TANF and LIHEAP Benefits by EFT
Average Day of Clearance: N/A

Recipient: Department of Housing and Community Development (DHCD)
% of Funds Agency Receives: 15.00
Component: Direct Costs for Maintenance Payments to Beneficiaries -EFT
Technique: ZBA - TANF and LIHEAP Benefits by EFT
Average Day of Clearance: N/A

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 100.00
Component: All Program Costs
Technique: Payment Schedule Two-Week Intervals
Average Day of Clearance: N/A

93.767 Children's Health Insurance Program
Recipient: Department of Medical Assistance Services (DMAS)

% of Funds Agency Receives: 99.08
Component: Provider Payment by EFT (Fiscal Agent)
Technique: Actual Clearance: CDA for EFT Payments by the Fiscal Agent
Average Day of Clearance: N/A

Recipient: Department of Medical Assistance Services (DMAS)
% of Funds Agency Receives: 0.05
Component: Indirect Costs
Technique: Annually
Average Day of Clearance: N/A

Recipient: Department of Medical Assistance Services (DMAS)
% of Funds Agency Receives: 0.54
Component: Provider Payments by Check (Fiscal Agent)
Technique: Average Clearance Funding Technique for the Medicaid/CHIP Combined Account
Average Day of Clearance: 4 Days

Recipient: Department of Medical Assistance Services (DMAS)
% of Funds Agency Receives: 0.33
Component: Manual Payments: Provider Payments Not Processed by the Fiscal Agent, and Direct Administrative Costs
Technique: Modified Pre-Issuance Funding
Average Day of Clearance: N/A

93.778 Medical Assistance Program
Recipient: Department of Medical Assistance Services (DMAS)
% of Funds Agency Receives: 79.94
Component: Provider Payments by EFT (Fiscal Agent)
Technique: Actual Clearance: CDA for EFT Payments by the Fiscal Agent
Average Day of Clearance: N/A

Recipient: Department of Social Services (DSS)
% of Funds Agency Receives: 16.20
Component: Administrative Costs (Local)
Technique: Actual Costs - Estimated Allocation Monthly
Average Day of Clearance: N/A

Recipient: Department of Medical Assistance Services (DMAS)
% of Funds Agency Receives: 0.06
Component: Indirect Costs
Technique: Annually
Average Day of Clearance: N/A

Recipient: Department of Medical Assistance Services (DMAS)
% of Funds Agency Receives: 0.70
Component: Provider Payments by Check (Fiscal Agent)
Technique: Average Clearance Funding Technique for the Medicaid/CHIP Combined Account
Average Day of Clearance: 4 Days

Recipient: Department of Medical Assistance Services (DMAS)
% of Funds Agency Receives: 3.10
Component: Medicaid Provider Payments Not Processed by the Fiscal Agent, and Direct Administrative Costs
Technique: Modified Pre-Issuance Funding
Average Day of Clearance: N/A

6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

None

7.0 CLEARANCE PATTERNS

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

Medicaid/CHIP Combined Account checks to 3rd Party Providers by ACS State Healthcare, LLC.
Social Service Program Benefits
Payroll checks
General Warrants (Vendor Payments)

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

The banks under contract with the Virginia Department of Treasury.
The bank under contract with ACS State Healthcare, LLC.

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

General warrants, payroll checks, social service payments, and checks issued by the Fiscal Agent for Medical Assistance Services Program (CFDA #93.778) and the Children's Health Insurance Program (93.767).

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

When developing each clearance pattern, the State shall track at least 99% of the funds disbursed, from issuance to clearance, for a period of at least three months.

7.4.1 For the general warrants, social services, and payroll accounts, the respective banks track all checks issued until payment, or until payment is stopped on the individual checks because of theft, loss, or other reasons. In all cases, the Commonwealth's banks produce check clearance patterns for over 99% of the checks issued. For all checks paid during each month, the program calculates the number of business and/or calendar days outstanding by subtracting the issue date from the paid date, and then calculates a dollar weighted average number of days that the checks paid during the month were outstanding.

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.

7.6.1 For CMIA interest calculations, the Virginia Department of Accounts (DOA) prepares an annualized dollar weighted average number of calendar days for the most recently completed SFY that cleared checks were outstanding each month in the general warrant, and payroll accounts.

7.6.2 Where functional or other clearance pattern data is available that is suitable for estimating the programmatic flow of federal funds, DOA shall estimate a program's clearance pattern based upon the expenditure characteristics of the respective program. In estimating a program's clearance pattern for interest calculations, DOA shall use program expenditure data from not less than 3 months, and not more than 12 months, of the fiscal year, including, at a minimum, the last three months of the fiscal year. The State agencies responsible for the respective programs shall provide the required program expenditure data to DOA upon request. For example, if it is determined that a major federal assistance program covered by the Agreement has $1 million in expenditures in the following proportions: 20% payroll by check, 15% payroll by direct deposit, 5% IAT payments to other State agencies, 50% EDI payments and 10% general warrants, then the program's overall clearance pattern would be estimated as follows:

| Type of Program Expenditure | $ Amount | Days | Dollar Weighted |
|---|---|---|---|
| Payroll payments by check | $ 200,000 | 4.61 | 0.922 |
| Payroll direct deposits | $ 150,000 | 0.00 | 0.000 |
| IAT payments | $ 50,000 | 0.00 | 0.000 |
| EDI payments | $ 500,000 | 0.00 | 0.000 |
| General warrants | $ 100,000 | 10.24 | 1.024 |
| Total/Overall Clearance Pattern | $ 1,000,000 | N/A | 1.946 Days |

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:

No exceptions. See Section 7.7.1.

The State shall also adjust each clearance pattern to reflect:

See Section 7.7.1.

7.7.1 The State adjusts each program's check clearance pattern(s) to reflect, where applicable, the dollar-weighted proportion of funds paid out by either wire transfer or ACH; for example, Electronic Data Interchange (EDI) payments and payroll direct deposits.

The State shall also adjust each program's check clearance pattern to reflect, where applicable, simultaneous internal transfer payments, such as book entry transfers, or internal electronic transfers (IAT's).

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

7.8.1 Each of the State's monthly check clearance patterns is calculated in business and/or calendar days as applicable. Calendar day patterns are used for the calculation of interest. When necessary, available and appropriate, business day clearance patterns may be used for estimating the timing of drawdowns instead of calendar days. When necessary and appropriate, monthly business day check clearance patterns may be converted to calendar days by multiplying the average business day clearance pattern for the respective months by a factor of approximately 1.4. The conversion factor is obtained by dividing the number of calendar days in the month by the number of business days in the month.

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 the Fiscal Service 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 General Terms

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:

Actual Base Modified Monthly
Actual Base Monthly
Actual Base Quarterly
Actual Clearance: CDA for EFT Payments by the Fiscal Agent
Actual Clearance: ZBA
Actual Costs - Estimated Allocation (Semi-Monthly)
Actual Costs - Estimated Allocation Monthly
Annually
Average Clearance Funding Technique for the Medicaid/CHIP Combined Account
Average Clearance Technique for Maintenance Payments to Beneficiaries
Fixed Administrative Allowance (Semi-monthly Payroll)
Payment Schedule (Semi-monthly Nonpersonal Services)
Payment Schedule Two-Week Intervals
Post Expenditure Funding
Post Expenditure Funding Technique for the WIC Program
Proportionate Share
ZBA - SNAP Benefits
ZBA - UI Benefits-ACH
ZBA - TANF and LIHEAP Benefits by EFT

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:

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:

There are no interest earnings on funds withdrawn from the State account, as the State has implemented ZBA, an interest-neutral funding technique, for such transfers. For transfers from the UTF that do not follow the technique specified in section 6.2 and result in a positive balance of funds in a State account, the State's liability for interest on funds withdrawn from its account in the UTF shall consist of the actual interest earnings of the benefit payment account on the pro-rata share less the related banking costs attributed to such funds.

8.3.2 Notwithstanding the explanation in Section 8.3.1, there are no interest earnings on funds withdrawn from the State account in the UTF, as the State has implemented an interest Zero Balance Account for EFT payments.

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:

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.

8.4.4 The manual payments component of the Medicaid program, which includes Medicaid provider payments not processed by the fiscal agent and administrative costs, uses the Modified Pre-Issuance Funding technique defined in

§6.2.4. The actual Federal share of Medicaid refunds are Fedwired and these Fedwire transfers are performed as soon as administratively feasible, after the Federal share of each refund is determined. Interest owed is calculated by the State on the Federal share of each refund for the actual time each refund is held in a State account.

8.4.5 With programs to which modified pre-issuance funding will be applied, the State interest liability will be based on two periods: 1) the difference in whole days between the date the refund is deposited to a State account and the date the refund is offset against a subsequent deposit of Federal funds, and 2) the difference in whole days between the date the refund is offset against a subsequent deposit of Federal funds and the date the refund is paid out for program purposes.

8.4.6 Refunds of unemployment insurance benefits will be deposited directly to the State's unemployment insurance payment account on the same day that they are received. Since these refunds are used to offset daily drawdowns made by the VEC for Unemployment Insurance benefits as described in §6.2.4 of the TSA, they will not incur an interest liability for the State or the Federal government.

8.4.7 Interest earned by the State on rebate funds for infant formula and other foods under the Special Supplemental Food Program for Women, Infants and Children (WIC) shall be retained by the State and used for WIC program purposes.

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:

8.6.2.1 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 credited to a State's account and the date those funds are debited from the State's account.

8.6.2.2 Source of Data

The time period from the CARS expenditure recording date to the payment issue date shall be determined from information captured by CARS (Commonwealth's Accounting and Reporting System). See complete explanation in Section 8.7.1 through 8.7.6.

8.6.2.3 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 a 96 percent confidence

interval no more than plus or minus 0.25 weighted days above or below 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.

8.6.2.4 Calculation Procedure

Pre-Issuance Time + Clearance Time:
I = P x r x {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

8.7.1 Notwithstanding Section 8.6.6, under Virginia's modified pre-issuance funding technique, where federal funds are transferred to the State before payments are issued, the State shall use the following method(s) to calculate and document State and Federal interest liabilities. The current State internal control system requires cash to be in the bank in order to pay expenditures. Modified pre-issuance funding interest calculations require the measurement of the time elapsed from the date of a program deposit to the date that related payments clear the bank.

Since the State does not have a single system capability to track a specific federal program deposit all the way through until this money is paid out, the State combines data recorded in the Commonwealth's Accounting and Reporting System (CARS) with bank float data, dividing the time that the federal money is held into three separately measured time periods. The three periods are dollar weighted separately before combining them to determine the total time that federal money is held.

The three time periods are described below:

First Time Period (1) = Deposit Date (DD) to CARS Expenditure
Recording (ER) Date
Second Time Period (2) = ER Date to Payment Issue (PI) ("System Float")
Third Time Period (3) = PI Date until Bank Clearance (BC) ("Bank Float")
Total Time (1+2+3) = Total Days From Deposit(DD) To Bank Clearance (BC).

8.7.2 The first time period is from a program deposit date to the related expenditure recording date(s) in CARS, and is sampled by the State agency or institution receiving the federal program funds. First, the overall sample size needed to ensure a 96 percent confidence interval no more than plus or minus 0.25 weighted days above or below the estimated mean is determined from the dollar weighted standard deviation of a randomly selected pilot sample of thirty samples using a formula provided by the Fiscal Service. Because the pilot sample is randomly selected it may be included as a part of the overall sample which is also randomly selected. Second, for the overall sample, the recipient dollar weights the days that it takes for all expenditures related to a particular sample to be recorded. A sample will include expenditures related to money received from refunds where federal drawdowns have been adjusted for refunds received since the last draw. Third, the results of all the samples are dollar weighted. These results are indicated in terms of positive days when the federal funds are deposited before the related expenditures are recorded, and as negative days when expenditures are recorded before the related federal funds are deposited.

Notwithstanding these sampling requirements, a State agency has the option of examining ALL (100%) of its federal deposits for the year in order to determine the dollar weighted average days from the deposit date to the CARS expenditure recording date.

8.7.3 The second time period (expenditure recording date to payment issue date) is known as the "System Float," and is measured by DOA from internal CARS records on an agency by agency basis. Since the data is available on an agency by agency basis, and not a program by program basis, an assumption is made that agency specific results can be applied at the program level. To determine the "System Float," expenditure recording dates of all Federal fund payments on the CARS history file are linked to their related payment issue dates on the vendor payment file by the expenditure batch identifier, and the time between the two is measured and dollar weighted. The overall agency results for each month of the most recently completed SFY are dollar weighted to arrive at the estimated annual "System Float" for the respective federal programs administered by those agencies.

8.7.4 The third time period (payment issue date to bank clearance date), known as "Bank Float," is measured by DOA using the clearance patterns, and other clearance pattern data, as described in §7.0 (Clearance Pattern Method) of this Agreement.

8.7.5 The results of the three time periods are added together to obtain the estimated total time that federal program money is held, or State money advanced on behalf of the federal program. Using the following formula, the interest liability to the State (or federal government) is calculated on a program by program basis, as shown in the example below. Interest will be calculated based on the amount of expenditures relating to the sampled drawdowns, then prorated to the total applicable revenue for the year. The State and federal interest liabilities are calculated separately.

Formula: I = R x T x $, Where I = the Annual Program Interest Payable or Receivable,
R = the Daily Interest Rate
T= the Weighted Average Days that the Federal Money is Held or State Money Advanced
$ = Dollar Amount of Yearly Expenditures
For Example, Given That:
Yearly Expenditures = $13,509,943
Annual Interest Rate = 3.65% (0.0365)
Daily Interest Rate = 0.0001
Net $ Weighted Days Held = 5.60 Days
The following interest liabilities are calculated:
State Interest Liability = $8,767
Federal Interest Liability = $1,202

Net State Interest Liability = $7,565.

In the above example, all 28 drawdowns for the year were tested. Of these, 24 (amounting to a total of $11,196,859 or 83% of the federal program funds) were deposited 7.83 dollar weighted average days before the estimated check clearance date, for a State interest liability of $8,767. The other 4 drawdowns (amounting to a total of $2,313,084 or 17% of the federal program funds) were deposited 5.20 dollar-weighted average days after the estimated check clearance date, for a federal interest liability of $1,202.

9.0 REVERSE FLOW PROGRAMS

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:

Personal services and related fringe benefit costs of staff conducting and reviewing CMIA interest calculations, and check clearance pattern maintenance.

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

David A. Von Moll
Comptroller of Virginia

Signature: (b) (6) [redacted] Date Signed: 7/27/15

Date Submitted 07/24/2015

Corvelli A. McDaniel
Assistant Commissioner
Revenue Collections Management
Bureau of the Fiscal Service
U.S. Department of the Treasury

Signature: Corvelli A. McDaniel Date Signed: 8/9/15

# Exhibit I - Funds Request and Receipt Times Schedule
## Commonwealth of Virginia

| Federal Agency | Payment Type | Request Cut-Off Time | Receipt Window |
|---|---|---|---|
| Agriculture-FNS | ACH | 11:59 PM | 1 day |
| Agriculture-FNS | Fedwire | 5:45 PM | 0 day |
| Agriculture-FS | ACH | 3:00 PM | 1 day |
| Air National Guard | ACH | 12:00 PM | 15 days |
| Army National Guard | ACH | 12:00 PM | 15 days |
| Commerce-NOAA | ACH | 2:00 PM | 1 day |
| Dept of Homeland Security (FEMA) | Fedwire | 2:00 PM | 0 day |
| Dept of Homeland Security (ODP) | ACH | 2:00 PM | 2 days |
| Dept of Homeland Security (ODP) | Fedwire | 2:00 PM | 2 days |
| EPA | ACH | 2:00 PM | 2 days |
| EPA | Fedwire | 2:00 PM | 0 day |
| Education | ACH | 3:00 PM | 1 day |
| Education | Fedwire | 2:00 PM | 0 day |
| Energy | ACH | 4:00 PM | 1 day |
| Energy | Fedwire | 3:00 PM | 0 day |
| HHS | ACH | 6:30 PM | 1 day |
| HHS | Fedwire | 3:00 PM | 0 day |
| HUD | ACH | 5:30 PM | 2 days |
| HUD | Fedwire | 3:00 PM | 0 day |
| Interior-FWS | ACH | 11:59 PM | 1 day |
| Interior-FWS | Fedwire | 5:45 PM | 0 day |
| Interior-OSM | ACH | 3:00 PM | 1 day |
| Interior-OSM | Fedwire | 5:45 PM | 0 day |
| Justice | ACH | 11:00 PM | 6 days |
| Justice | Fedwire | 2:00 PM | 2 days |
| Labor-Non-UTF | ACH | 3:00 PM | 1 day |
| Labor-UTF | ACH | 3:00 PM | 1 day |
| Labor-UTF | Fedwire | 3:00 PM | 0 day |
| National Science Foundation (NSF) | ACH | 8:00 PM | 1 day |
| National Science Foundation (NSF) | Fedwire | 5:45 PM | 0 day |
| Social Security Administration | ACH | 11:59 PM | 1 day |
| Social Security Administration | Fedwire | 5:45 PM | 0 day |
| Transportation (FAA) | ACH | 2:00 PM | 1 day |
| Transportation (FHWA) | ACH | 12:00 PM | 3 days |
| Transportation (FHWA) | Fedwire | 12:00 PM | 0 day |
| Transportation (FTA) | ACH | 2:00 PM | 1 day |
| Veterans Administration | ACH | 12:00 PM | 3 days |

Exhibit II - Commonwealth of Virginia

# 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 | Supplemental Nutrition Assistance Program | Department of Social Services (DSS) | 100.00 | EBT Benefits to Recipients | ZBA - SNAP Benefits | N/A |
| 10.553 | School Breakfast Program | Department of Education (DOE) | 99.00 | Weekly EDI Payments to Local Governments | Actual Clearance: ZBA | N/A |
| 10.553 | School Breakfast Program | Department of Education (DOE) | 1.00 | Other Direct Costs | Post Expenditure Funding | N/A |
| 10.555 | National School Lunch Program | Department of Education (DOE) | 99.00 | Weekly EDI Payments to Local Governments | Actual Clearance: ZBA | N/A |
| 10.555 | National School Lunch Program | Department of Education (DOE) | 1.00 | Direct Costs | Post Expenditure Funding | N/A |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | Department of Health (VDH) | 1.00 | Indirect Costs | Actual Base Quarterly | N/A |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | Department of Health (VDH) | 64.00 | Direct Costs (WIC Food) | Post Expenditure Funding Technique for the WIC Program | N/A |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | Department of Health (VDH) | 35.00 | Direct Costs (WIC Administration) | Modified Pre-Issuance Funding | N/A |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | Department of Social Services (DSS) | 18.00 | State Indirect Costs | Actual Costs - Estimated Allocation (Semi-Monthly) | N/A |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | Department of Social Services (DSS) | 72.00 | Administrative Costs (Local) | Actual Costs - Estimated Allocation Monthly | N/A |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | Department of Social Services (DSS) | 10.00 | Other Direct Costs--- Other Than Administrative Costs (Local) | Post Expenditure Funding | N/A |
| 17.225F | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | Virginia Employment Commission (VEC) | 26.00 | Unemployment Insurance Administration (Payroll) | Fixed Administrative Allowance (Semi-monthly Payroll) | 0 Days |
| 17.225F | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | Virginia Employment Commission (VEC) | 6.00 | Indirect Costs | Proportionate Share | N/A |
| 17.225F | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | Virginia Employment Commission (VEC) | 54.00 | Unemployment Insurance Benefits by EFT (Federal) | ZBA - UI Benefits-ACH | N/A |
| 17.225F | Unemployment Insurance -- Federal Benefit Account and Administrative Costs | Virginia Employment Commission (VEC) | 14.00 | Unemployment Insurance Administration (Nonpersonal Services) | Payment Schedule (Semi-monthly Nonpersonal Services) | N/A |

| CFDA | Program Name | Recipient | % | Component | Technique | Rounded days |
|---|---|---|---|---|---|---|
| 17.225S | Unemployment Insurance -- State Benefit Account | Virginia Employment Commission (VEC) | 100.00 | Unemployment Insurance Benefits by EFT (State) | ZBA - UI Benefits-ACH | N/A |
| 20.205 | Highway Planning and Construction | Department of Rail and Public Transportation (DRPT) | 0.95 | Direct Costs | Post Expenditure Funding | N/A |
| 20.205 | Highway Planning and Construction | Department of Transportation (VDOT) | 99.05 | Direct Costs for Current and Previously Capped Projects | Post Expenditure Funding | N/A |
| 84.010 | Title I Grants to Local Educational Agencies | Department of Education (DOE) | 0.10 | Indirect Costs | Actual Base Modified Monthly | N/A |
| 84.010 | Title I Grants to Local Educational Agencies | Department of Education (DOE) | 99.80 | Weekly EDI Payments to Local Governments | Actual Clearance: ZBA | N/A |
| 84.010 | Title I Grants to Local Educational Agencies | Department of Education (DOE) | 0.10 | Other Directs Costs | Post Expenditure Funding | N/A |
| 84.027 | Special Education -- Grants to States | Department of Education (DOE) | 2.00 | Indirect Costs | Actual Base Modified Monthly | N/A |
| 84.027 | Special Education -- Grants to States | Department of Education (DOE) | 91.00 | Weekly EDI Payments to Local Governments | Actual Clearance: ZBA | N/A |
| 84.027 | Special Education -- Grants to States | Department of Education (DOE) | 7.00 | Other Directs Costs | Post Expenditure Funding | N/A |
| 84.126 | Rehabilitation Services -- Vocational Rehabilitation Grants to States | Department for Aging and Rehabilitative Services (DARS) | 17.41 | Indirect Costs | Actual Base Monthly | N/A |
| 84.126 | Rehabilitation Services -- Vocational Rehabilitation Grants to States | Department for Aging and Rehabilitative Services (DARS) | 72.90 | Direct Costs | Modified Pre-Issuance Funding | N/A |
| 84.126 | Rehabilitation Services -- Vocational Rehabilitation Grants to States | Department for the Blind and Vision Impaired (DBVI) | 1.82 | Indirect Costs | Actual Base Monthly | N/A |
| 84.126 | Rehabilitation Services -- Vocational Rehabilitation Grants to States | Department for the Blind and Vision Impaired (DBVI) | 7.87 | Direct Costs | Modified Pre-Issuance Funding | N/A |
| 93.558 | Temporary Assistance for Needy Families | Department of Social Services (DSS) | 4.00 | Indirect Costs | Actual Costs - Estimated Allocation (Semi-Monthly) | N/A |
| 93.558 | Temporary Assistance for Needy Families | Department of Social Services (DSS) | 42.00 | Administrative Costs (Local) | Actual Costs - Estimated Allocation Monthly | N/A |
| 93.558 | Temporary Assistance for Needy Families | Department of Social Services (DSS) | 5.00 | Direct Costs for Maintenance Payments to Beneficiaries - Checks | Average Clearance Technique for Maintenance Payments to Beneficiaries | 10 Days |
| 93.558 | Temporary Assistance for Needy Families | Department of Social Services (DSS) | 4.00 | Other Direct Costs (Other than Maintenance Payments, Admin Local and Pass Thru) | Post Expenditure Funding | N/A |
| 93.558 | Temporary Assistance for Needy Families | Department of Social Services (DSS) | 45.00 | Direct Costs for Maintenance Payments to Beneficiaries -- EFT | ZBA - TANF and LIHEAP Benefits by EFT | N/A |
| 93.563 | Child Support Enforcement | Department of Social Services (DSS) | 100.00 | All Administrative Costs | Actual Costs - Estimated Allocation (Semi-Monthly) | N/A |
| 93.568 | Low-Income Home Energy Assistance | Department of Housing and Community Development (DHCD) | 15.00 | Direct Costs for Maintenance Payments to Beneficiaries -EFT | ZBA - TANF and LIHEAP Benefits by EFT | N/A |
| 93.568 | Low-Income Home Energy Assistance | Department of Social Services (DSS) | 3.00 | Indirect Costs | Actual Costs - Estimated Allocation (Semi-Monthly) | N/A |
| 93.568 | Low-Income Home Energy Assistance | Department of Social Services (DSS) | 3.00 | Administrative Costs (Local) | Actual Costs - Estimated Allocation Monthly | N/A |
| 93.568 | Low-Income Home Energy Assistance | Department of Social Services (DSS) | 31.00 | Maintenance Payments to Beneficiaries - Checks | Average Clearance Technique for Maintenance Payments to Beneficiaries | 10 Days |

| CFDA | Program Name | Recipient | % | Component | Technique | Rounded days |
|---|---|---|---|---|---|---|
| 93.568 | Low-Income Home Energy Assistance | Department of Social Services (DSS) | 8.00 | Other Direct Costs (Other than Maintenance Payments and Admin Local) | Post Expenditure Funding | N/A |
| 93.568 | Low-Income Home Energy Assistance | Department of Social Services (DSS) | 40.00 | Direct Costs for Maintenance Payments to Beneficiaries - EFT | ZBA - TANF and LIHEAP Benefits by EFT | N/A |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | Department of Social Services (DSS) | 100.00 | All Program Costs | Payment Schedule Two-Week Intervals | N/A |
| 93.767 | Children's Health Insurance Program | Department of Medical Assistance Services (DMAS) | 0.05 | Indirect Costs | Annually | N/A |
| 93.767 | Children's Health Insurance Program | Department of Medical Assistance Services (DMAS) | 0.54 | Provider Payments by Check (Fiscal Agent) | Average Clearance Funding Technique for the Medicaid/CHIP Combined Account | 4 Days |
| 93.767 | Children's Health Insurance Program | Department of Medical Assistance Services (DMAS) | 0.33 | Manual Payments: Provider Payments Not Processed by the Fiscal Agent, and Direct Administrative Costs | Modified Pre-Issuance Funding | N/A |
| 93.767 | Children's Health Insurance Program | Department of Medical Assistance Services (DMAS) | 99.08 | Provider Payment by EFT (Fiscal Agent) | Actual Clearance: CDA for EFT Payments by the Fiscal Agent | N/A |
| 93.778 | Medical Assistance Program | Department of Medical Assistance Services (DMAS) | 0.06 | Indirect Costs | Annually | N/A |
| 93.778 | Medical Assistance Program | Department of Medical Assistance Services (DMAS) | 0.70 | Provider Payments by Check (Fiscal Agent) | Average Clearance Funding Technique for the Medicaid/CHIP Combined Account | 4 Days |
| 93.778 | Medical Assistance Program | Department of Medical Assistance Services (DMAS) | 3.10 | Medicaid Provider Payments Not Processed by the Fiscal Agent, and Direct Administrative Costs | Modified Pre-Issuance Funding | N/A |
| 93.778 | Medical Assistance Program | Department of Medical Assistance Services (DMAS) | 79.94 | Provider Payments by EFT (Fiscal Agent) | Actual Clearance: CDA for EFT Payments by the Fiscal Agent | N/A |
| 93.778 | Medical Assistance Program | Department of Social Services (DSS) | 16.20 | Administrative Costs (Local) | Actual Costs - Estimated Allocation Monthly | N/A |

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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: 7/27/15

Printed Name: David A. VonMoll

Certifying Signature: (b) (6) [redacted]

Title: State Comptroller