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*Richard Woods, Georgia's School Superintendent*  
*"Educating Georgia's Future"*

**Federal Program Drawdown Position Paper**  
**Internal Audit Unit**  
**May 2017**

To: GaDOE State Board of Education Audit Committee Members

From: Wes Sherrell, Internal Audit Director, William Smith, Internal Audit Supervisor, and Alan Abercrombie, Federal Internal Auditor

Local Educational Agencies (LEAs) that participate in Federal Programs with the Georgia Department of Education (GaDOE) will draw down Federal funds on a reimbursement basis for all allowable expenditures incurred in their respective participating Federal Program(s). An incurred expenditure will be defined as an expenditure for goods and/or services in which the LEA has received, even if no payment was made. This will include goods and services received such as salaries, consumed utilities, rent, and supplies.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also known as the Uniform Grant Guidance, 2 CFR Part 200, or UGG) requires all Federal programs to have written procedures to implement the requirements for payments of Federal funds (2 CFR 200.302). These procedures include how the GaDOE will draw down funds from the Federal Government and how the GaDOE will make these funds available to LEAs to draw down each month. Therefore, it is the responsibility of the GaDOE to establish the procedures as to how LEAs will receive their Federal funds.

The payments section of the UGG (2 CFR 200.305) allows for two methods of Federal fund disbursements to Federal program participants: advance payments and reimbursements.

Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.<sup>1</sup>

If the requirements for advance payments above cannot be met, then reimbursement is the preferred method. Additionally, at any time, the GaDOE, per UGG section 200.305(b)(3), can require LEAs to request payments by reimbursement.

It is our procedure in Grants Accounting, due to system limitations in the Grants Accounting Online Reporting System (GAORS), that LEAs are limited to one drawdown each month (15 payments for Federal grants) during the grant period. The cut off for monthly drawdowns will be each Thursday at 3 PM, with funds disbursed to the LEA the subsequent

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<sup>1</sup> Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards section 200.305(b)(1)

Thursday. Therefore, since the GaDOE cannot guarantee the timing and amount of the advance payments will be as close as administratively feasible to the actual payment of the advance (usually 3 days) with one drawdown per month, it is the procedure of the GaDOE that all disbursements to LEAs will be reimbursement for all allowable incurred Federal program expenditures.

Incurred expenditures and paid expenditures are not the same thing. For example, an LEA would have incurred an allowable program expenditure when they ordered and received computers, but they may not have paid the invoice. The obligation to pay was established when the LEA contracted to purchase the computers and payment was due when received. When the expense is incurred and equipment received, the LEA can seek reimbursement as part of its monthly drawdown in the GAORS. The LEA does not have to wait until final payment is made on the invoice. However, LEAs must meet all cash management requirements and should have a local policy in place to ensure cash is not held more than 3 days after receipt of the Federal funds drawdown. LEAs must also ensure that equipment/supplies are purchased and received during the period of performance (2 CFR 200.77) of the grant award.

Salaries are paid each month in arrears. Therefore, at the end of each month the LEA has incurred a salary expense for that month. It is our recommendation that LEAs seeking salary reimbursements should submit their drawdown the third Thursday of each month. This would make their funds available the subsequent Thursday in time to meet the end of the month's payroll. If this methodology is used, the LEA will have to develop a reconciliation process to ensure any differences from the amount requested and the actual amount paid at the end of the month are corrected the subsequent month. It is the expectation that any differences are insignificant in amount and will not create a cash management issue. However, if the excess cannot be corrected in the subsequent month, the LEA should notify their proper Federal programs specialist and/or the GaDOE Grants Accounting Office to determine the appropriate refund of excess funds drawn down.

Monthly drawdowns (or DE0147) in the GAORS system is an electronic payment process. The LEA will request the amount to be reimbursed and upon approval from grants accounting they will receive their money the subsequent Thursday. A monthly drawdown is limited to 20% of the approved budget balance. Monthly requests for amounts more than the 20% require a comment/explanation before approval is granted. LEAs should drawdown funds as needed, however, no more than one drawdown per month. It is the recommendation of the GaDOE that a best practice for an LEA is to include in their drawdown procedures and practices a copy (paper or electronic) of the complete expenditure detail report that directly relates to each DE0147 drawdown request.

Each LEA is required to document their procedures for cash management compliance of Federal programs. (2 CFR 200.302) The procedures must document the internal controls in place to ensure there is appropriate review and authorization of the cash drawdown by someone other than the individual requesting the drawdown. It is the recommendation of the GaDOE that the Federal program administrator reviews and approves all drawdown requests prior to the finance officer submitting the request in GAORS. This is necessary to ensure that funds are spent in accordance with the budget as approved by the GaDOE program manager. If funds are not drawn down appropriately for approved budgeted expenditures or if the drawdowns are not based on actual expenditures already incurred, the LEA could be required to return the funds to the GaDOE.

The UGG section on required certifications (2 CFR 200.415) now states that on all completion reports and vouchers requesting payment (DE0147), the following legally binding certification must be included:

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false

statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).<sup>2</sup>

The new language must be incorporated into the GaDOE completion reports and drawdown forms as well.

All LEA Federal programs are on a four-year monitoring cycle. Part of this monitoring is to review actual expenditures and cash drawdowns to ensure funds were appropriately spent and purchases were allowable. If an LEA is placed on High Risk by either the Federal Programs staff or by the GaDOE Department of Audits, they will be monitored that fiscal year.

If an LEA is found to have spent funds inappropriately or has drawn down more money than they have spent, then funds will be refunded to the GaDOE. Furthermore, if the LEA is found to have earned interest over \$500 due to excess drawdowns of funds during the period of performance, then the LEA must comply with 2 CFR Part 200.305(b)(9) and remit the additional interest earned. The GaDOE also reserves the right to take further corrective action as necessary, including a more restrictive reimbursement method of submitting invoices prior to being reimbursed.

Approved 5-3-17 by the SBOE Audit Committee

This will be included in the FY18 Federal Programs Handbook

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<sup>2</sup> Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Section 200.415(a)