

Internal Control Assessment Grants- Excessive Draw Downs

Purpose

To ensure that FSA is monitoring discretionary grantee's compliance with financial management requirements on the draw down of grant funds and cash management.

Background

FSA program managers and staff are responsible for monitoring discretionary grants to ensure that grantees comply with all applicable laws, regulations and policies.

Grantees are required by regulation to minimize the amount of time elapsing between transfer of funds and the disbursement of funds from their bank accounts. Funds must be drawn only to meet a grantee's immediate cash needs for each individual grant. To ensure financial compliance, it is essential that FSA monitors grant drawdown activity to ensure that drawdowns are not made in excess of each grant's immediate cash needs.

FSA must designate at least one point of contact to monitor and review the Grant Administration and Payment System (GAPS) Drawdown Report to ensure that grantees do not have excessive cash balances. The GAPS Drawdown Report has been developed to assist program offices in identifying grantees that may have violated cash management policies and regulations by drawing down funds in excess of a grantee's immediate cash needs. The FSA point of contact will be responsible for following up with program managers to verify that funds are drawn in appropriate amounts and excess cash balances are resolved.

Program managers are responsible for directing program staff members to research each grant on the GAPS Drawdown Report to determine whether excessive drawdowns have been made and to assist the grantee in resolving problems with excess cash balances. Program managers are responsible for keeping the point of contact informed on the status of grants on this report. For each grant on the report, program staff should review the approved

budget and application to determine whether a large drawdown is consistent with the planned activities scheduled for the current point in the budget period, and contact the grantee, if any inconsistencies are identified. Program staff are responsible for maintaining written documentation in the official grant files of all discussions held with grantees regarding excess cash balances and actions the grantee will take to correct excess cash balances. Program staffs are responsible for ensuring that excess cash balances are resolved by the grantee within two weeks after being notified.

Internal Control Standard

FSA must monitor and verify that its grantees do not make drawdowns in excess of their immediate cash needs.

Assessment of FSA's Compliance*

We reviewed FSA's grant procedures and determined that FSA is in compliance with financial management requirements in the Education Department General Administrative Regulations.

* The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.