

## CHAPTER 1-160 DRAWDOWN ANALYSIS

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### **1-160-00 What does this chapter do?**

This chapter explains our policies and procedures for reviewing how you use of Federal cash you receive from an assistance agreement awarded by us, the Office of Surface Mining Reclamation and Enforcement (OSM). This information applies to all OSM assistance agreements.

### **1-160-10 What is a drawdown and why do we analyze it?**

A drawdown is your request for a cash payment from Treasury for your assistance agreement. We analyze your drawdowns to ensure that you are managing Federal cash in accordance with Federal requirements.

### **1-160-20 What are the requirements for managing Federal cash and where do they come from?**

- A. The Federal government requires you to minimize the time you hold Federal cash in order to minimize the interest costs to the U.S. Treasury.
- B. The Department of the Interior requires that methods and procedures for payment must minimize the time elapsing between when you receive the funds and when you or your subrecipient pay them out. This requirement comes from the *Grants Common Rule* at 43 CFR § 12.61.
- C. The Cash Management Improvement Act (CMIA) of 1990 (P.L. 101-453), as amended by the Cash Management Improvement Act of 1992 (P.L. 102-589), provides the general rules and procedures for the efficient transfer of Federal financial assistance between the U.S. Treasury and states. All Federal funds transfers to states are covered. However, only major assistance programs (the highest-dollar programs) are included in written Treasury-State Agreements. These agreements specify how transfers of Federal funds to states will take place. They assess interest liability for not performing the terms of the agreement.
- D. Treasury's *Rules Applicable to Federal Assistance Programs not Included in a Treasury-State Agreement*, at 31 CFR 205, require you to minimize the time between when you drawdown

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Federal funds and pay them out for your assistance program. The payments must be limited to the minimum amounts you need. The payment must be timed in accord with your actual, immediate cash requirements to carry out your program. The timing and amount of payments must be as close as is administratively feasible to your actual cash outlay for direct program costs and the appropriate share of any allowable indirect costs. You must exercise sound cash management in paying funds to any subrecipients.

### **1-160-30 What must you do when you manage Federal cash?**

- A. You must limit advances of Federal funds to the minimum amount you need to meet your actual and immediate cash payments.
- B. You must pay out Federal funds as soon as is administratively feasible under your financial management systems.
- C. If you have a CMIA Treasury-State Agreement, you must comply with it.

### **1-160-40 What must we do to monitor your use of Federal cash?**

- A. Our awarding office must monitor your compliance with Federal requirements. We will review your use of funds paid by Treasury to ensure that you do not request excessive amounts of advance funds and that you do not keep cash in excess of the immediate need.
- B. Our awarding office will determine the appropriate timing, magnitude and complexity for our review.
- C. If the reviewer finds indications during a drawdown review that Federal funds may not be properly accounted for, we will review the issue sufficiently to determine whether further action is needed.

### **1-160-50 What types of drawdown reviews will we conduct?**

- A. The awarding office will perform a Level I drawdown review the first time we review your systems, after significant changes to your systems, or when the reviewer determines it is appropriate. A Level I review has the following objectives.
  - 1. To understand your systems for requesting and paying Federal funds.
  - 2. To determine in calendar days the minimum administratively-feasible time for you to pay out Federal funds.
  - 3. To identify major problems or changes in your systems.

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- B. The awarding office will periodically perform a Level II review to monitor continuing performance of a system we have previously reviewed. The objective of the review is to determine whether your systems for requesting and paying Federal funds continue to comply with Federal requirements.

### **1-160-60 What will we do in a Level 1 drawdown review?**

- A. The awarding office will review your procedures to the extent needed to draw and support conclusions about your systems.
1. The reviewer will collect information about your systems. This phase may include the following steps.
    - a. Review your laws, regulations, policies, and procedures for financial management systems, including your processes for requesting, and paying out Federal funds.
    - b. Flowchart or outline the processing steps according to your written policies, and/or the actual procedures being followed.
    - c. Test the procedures used to request Federal funds. If you have multiple OSM assistance programs, we will review transactions adequate to test each program.
    - d. Test the procedures for paying out Federal funds.
    - e. Develop an expenditure rate. Compare the amount of Federal funds requested to your expenditure rate.
    - f. Determine the frequency rate for cash draws.
    - g. Track the amount of the cash balance on hand, and the Federal funds requested for each drawdown request.
  2. Evaluate the data to make the following determinations.
    - a. What is the actual and optimum number of days required to pay funds under your systems?
    - b. Do significant trends exist or are they developing?
    - c. Are there any procedures under your control which should be corrected or streamlined?

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- d. Are there any procedures not under your control which can be streamlined?
- B. The awarding office will report the review findings.
- 1. We will write a report explaining and justifying the office's findings and recommendations determinations about your systems. File the report with adequate documentation to support it in the official assistance agreement file.
  - 2. We will present the results of the review to you. If necessary, the awarding office will work with you to resolve any issues or recommendations.

### **1-160-70 What will we do in a Level 2 drawdown review?**

- A. Our awarding office will review the minimum number of cash requests and payments required to determine whether there have been any changes in the payment practices or timeframes established in the level I review.
- B. We will determine whether you are requesting cash payments on an advance or reimbursement basis. If we find that you continue to operate on a reimbursement basis, the review is complete.
- C. If you are requesting cash advances, we will determine whether your system continues to meet the timeliness standard for paying out Federal funds. If we find that you continue to pay out Federal funds timely, the review is complete.
- D. If there have been significant changes in your systems, we will conduct a level 1 review or other review steps as necessary to determine that you are in compliance.
- E. We will complete and document the review.
  - 1. If the review raised any issues or concerns, our awarding office will work with you to resolve the findings.
  - 2. Our awarding office will file the review and any supporting documentation in its official assistance agreement file.

### **1-160-80 How will we resolve problems identified in drawdown reviews?**

- A. The awarding office will address and resolve any issues uncovered in drawdown reviews. We may use the following approach for resolving problems.
  - 1. Collect all necessary information. Document the critical time path and identify the most problematic points in the process. Determine the scope and extent of the problem. Identify any changes in the grantee's systems, procedures or internal controls, or in key

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personnel which may have contributed to the problem. If additional information is needed, perform further review procedures.

2. Develop suggestions for resolution of issues.
  3. Present our suggestions to you. We will work with you to consider mechanisms or improvements within your systems to address the issues.
  4. Develop an agreement between you and us with actions, and a schedule for resolving the issues.
- B. The awarding office must document any resolution agreement: We will conduct follow-up reviews as necessary to ensure that changes and improvements are being used, and that the problem has been resolved.