

Section 7.1.1: Drawdowns

PURPOSE AND POLICY

The most frequent method of distributing large grants is requiring the grantee to drawdown funds incrementally against the award amount; this is particularly true for federal grants. A drawdown is a transfer of grant funds, initiated by the grantee, from the grantor to the state to pay grant-related expenses such as payroll, other administrative costs and programmatic costs. The grant agreement or contract will contain the methods and terms of payment; the grant program manager will consult these terms and work with his/her agency financial representative to manage the funds accordingly. All major federal financial assistance programs must be coordinated through the General Accounting Office (GAO) and included in the Cash Management Improvement Act (CMIA) Treasury-State Agreement (TSA), which includes the methodology to be used for drawing down federal assistance. The grantee must also comply with applicable laws, regulations and policies as discussed below.

PROCEDURE

Set-up. The grant program manager will work closely with the agency's financial representative to ensure the proper financial controls are set up for the transfer, expenditure and tracking of grant funds. While the agency has some latitude in how to manage these processes internally, all processes and procedures must adhere to generally accepted accounting principles and the fiscal policies set forth in the [State of Arizona Accounting Manual](#) (SAAM). If funded with federal dollars, processes will be guided by [Uniform Guidance](#) (2 CFR 200); [§200.305](#) discusses post-award payment. The state's General Accounting Office ([GAO](#)) can provide guidance if needed.

If the grant is federally funded, the grant program manager will have worked within the federal funding agency's system and protocols during setup to establish the account and the drawdown process. Some federal agencies have their own proprietary electronic payment systems to manage the disbursement of grant funds. Other federal agencies use the U.S. Department of Treasury's Automated Standard Applications for Payment ([ASAP](#)), an electronic payment application for federal agencies to quickly and securely disburse funds to recipient organizations. Federal agencies enroll recipient organizations, authorize their payments and manage their accounts. Recipient organizations then request payments from these pre-authorized accounts.

Scheduling. Each agency will establish its own processes for the timing of drawdowns. Many agencies prefer to run drawdowns on a schedule concurrent with the payroll cycle because some employees are paid in part or in full with grant funds. The drawdown process can take 24-72 business hours (excluding weekends and holidays). The grant program managers must be sure to allow the appropriate time for the transfer of funds.

Drawdown and payment processing. The payment terms and methods will specify how the grant funds are transferred to the grantee. For periodic drawdowns, the grant program manager will compile the required documentation (invoices for the period, including a payroll report for those employees paid with the grant funds) for the funds being requested and provide this material to the agency's financial representative. The financial representative will review the supporting documentation, then get final approval from the grant program manager or executive director before filing the drawdown (there

should be a third-party approval for internal control purposes). The financial representative will access the grantor's payment system and follow the system procedures for the drawdown. Grant program managers must be sure to allow the appropriate time for funds to transfer and deposit at the Arizona Treasurer's Office, then be posted to the agency's account. The process can take 24-72 business hours (excluding weekends and holidays). The grant program manager must plan for holiday closings when requesting drawdowns to ensure funds are deposited in a timely manner. Once the grant program manager verifies in the Arizona Financial Information System (AFIS) that the funds have been posted to the grantee agency's account, he/she can submit the invoices for processing within the agency's accounts payable unit. Once federal funds are drawn down, the federal Cash Management Improvement Act (CMIA) requires federal funds must be disbursed in a timely manner. Compliance with the CMIA requires that the timing and amount of federal draws must be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of any allowable indirect costs. The CMIA is discussed in greater detail in the next section.