

**Minnesota Department of Administration
Office of Grants Management
Operating Policy and Procedure
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Policy on Grant Payments

This is an archived copy of a prior OGM policy. A revised Policy 08-08 was issued on 10/11/13. Please reference the following link and click the New Policies/Current Policies tabs for copies of current OGM Policies:

<http://mn.gov/admin/government/grants/policies-statutes-forms/index.jsp>

Statutory References

Minn. Stat. 16B.97-Grants Management

Minn. Stat. 16B.98-Grants Management Process

Policy

Minnesota Statutes 16B.97 subd. 4(a)(1) provides that the Commissioner of Administration shall “create general grants management policies and procedures that are applicable to all executive agencies.”

State agencies shall specify the method and schedule of payments for each grant in the grant agreement. Grant payments may not be issued until the funds are encumbered and the grant agreement is fully executed.

Reimbursement is the preferred method for making grant payments. Grantee requests for reimbursement must correspond to the line items in the approved grant budget (i.e. personnel costs, indirect costs, equipment costs). The State’s authorized representative or their successor, named in the grant agreement, shall review each request for reimbursement against the approved grant budget, grant expenditures to-date and the latest grant progress report before approving payment. Grant payments shall not be made on grants with past due progress reports, unless the state agency has given the grantee a written extension.

Although they are not preferred, advance payments on grants may be allowed in certain situations. Before making an advance grant payment, agencies must be confident that the grantee will be able to account for the grant funds and abide by the terms of the grant agreement, based on their past performance as a grantee of that agency and the evaluation of grantee’s recent financial statements as required by OGM Policies 08-06 and 08-13.

In order to make advance payments, agencies must prepare a written justification or include a justification in the grant agreement that details the specific need to utilize advance payments. The written justification must be approved prior to encumbrance by the appropriate contact within the agency’s financial management area. Each state agency must determine who the appropriate approver(s) is in their financial management area. A copy of the signed justification must be maintained in the grant file.

Advance payments on grants shall be negotiated between the state agency and grantee on a case by case basis. The terms of advance grant payments and settlements must be reflected in the grant agreement. All advance payments on grants must be reconciled within 12 months of issuance or within 60 days of the end of the grant period, whichever comes first.

Scope of Coverage

This policy applies to grant-making at all executive branch agencies, boards, committees, councils, authorities and task forces that make grants.

This policy applies to competitive, legislatively-named, formula and single and sole source grants, but does not apply to bonding and capital grants.

Grants in which the payment terms are statutorily defined are not covered by this policy. This policy supersedes other state agency policies that concern grant payments except when the existing state agency policy is stricter. This policy does not supersede any applicable state or federal law, rule, or regulation which specifies a grant payment schedule.

Grant programs that seek an exemption to this policy must complete a Grants Policy Exception Request and submit it to the Office of Grants Management for the approval of the Commissioner of Administration.

Definitions

Advance Payment:

An advance payment is a type of grant payment in which the grantor pays the grantee for costs associated with a grant before the grantee has incurred the expense.

Grant Agreement:

A grant agreement is a written instrument or electronic document defining a legal relationship between a granting agency and a grantee when the principal purpose of the relationship is to transfer cash or something of value to the recipient to support a public purpose authorized by law.

Grant Budget:

A grant budget is a plan for all income and expenses for the grant project and is based on the grant work plan. Grant budgets typically include line items for salaries and benefits, contracted services, training, travel and transportation, equipment, office expenses, and program expenses.

Cost Reimbursement Payment:

A cost reimbursement payment is a type of grant payment in which the grantee incurs the expenses before requesting repayment from the grantor.

Procedures

1. State agencies specify grant payment terms in the grant agreement.
2. The grant agreement has all necessary signatures and is fully executed.
3. Once the grant agreement is fully executed, grant payments may be made.
4. Grantees submit requests for reimbursement that are reviewed by state agency staff. If all requirements have been met, the reimbursement payment is approved and made.
5. If an agency determines that advance payments are necessary, a justification form is maintained in the grant file or the justification is detailed in the grant agreement. The justification must be approved by the appropriate contact within the agency's financial management area, as determined by the granting agency.

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