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ECN Grant Manual

STATE OF MINNESOTA
DEPARTMENT OF PUBLIC SAFETY
DIVISION OF EMERGENCY COMMUNICATION NETWORKS

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Revision History

Revision Number	Revision Date	Nature of Revision
0	10/24/2022	First draft for public comment and review.
1	4/15/2023	Final document for internal review/approval prior to publication.
1.1	5/19/2023	Sub-recipient modified to sub-award and sub-awardee; grantee relationship to sub-awards clarified. Pre-Award Risk Assessment procedures updated.
2.0	1/4/2024	Revised special expense pre-approval requirements for travel, meeting, food, beverage, and other special expenses. Removed reference to the SECB as an administrating party of all grants (replaced with generic language for any administering party to a grant). Removed sub-award sections detailing different forms of sub-award agreements. Updated policy based on DPS Grant Management Policy and updated OGM polices as of January 2024.

1. Introduction to Use

This manual provides guidance for the administration and oversight of grants awarded by the state of Minnesota Department of Public Safety (DPS) and administered by the division of Emergency Communication Networks (ECN). The purpose of this manual is to foster success for the grantees of ECN-administered grant programs. The intended users of this manual are recipients of state and federal grant awards administered by ECN.

This manual is published with the intent that it will be a clear and concise collection of pertinent grant management information and a useful resource for grantees. Adherence to all requirements is paramount, as violations may result in a lack of public confidence in the program and required payback of funds by the grantee and/or ECN. The information included in this manual has been gathered from federal and state sources, including but not limited to: the Code of Federal Regulations, Office of Management and Budget policy and Minnesota state statute.

1.1. Special Federal Conditions

Grants of federal funds through ECN are governed by this manual. In cases where a conflict appears to exist between state and federal laws, rules or regulations, the grantee is required to follow those which are stricter. If applicable, it will be noted in the grant request for proposal (grant RFP) or federal notice of funding opportunity (NOFO) where federal laws, rules and regulations supersede this manual. In the case of some federal grants, additional conditions appear in the grant NOFO and/or the award document ECN receives from the federal government. As applicable, ECN passes those conditions on to recipients and sub-awards of those funds. Additional or changed conditions will be documented in the grant RFP and referenced in the grant agreement. By signing a grant agreement with ECN for federal funds, the grantee agrees to the federal requirements included in the NOFO, grant RFP and other requirements incorporated in to the contract by reference.

1.2. State of Minnesota Grant Management Policies

The Department of Administration's Office of Grants Management (OGM) is charged by 2023 Minnesota Statutes Section 16B.97 to standardize the state grant-making practices.¹ A grants manual tool and comprehensive grants management policies that apply to all Executive Branch agencies, boards, commissions, councils, authorities and task forces are available on the [OGM website](#). This manual and the instructions contained within are prepared based on OGM best practices and policy and procedure, Minnesota Management and Budget (MMB) statewide financial policies and procedures, and are in compliance with the DPS division of Fiscal and Administrative Services (FAS) Grant Management Policy which maintains department-specific policies and procedures for grants. These entities provide layers of policy, procedure, requirements and regulations which govern the administration of all State of Minnesota grants received and distributed by ECN.

1.3. ECN Grant-Making Authority, Management and Restrictions on Use

State agencies do not have general or automatic grant-making authority. The authority for grants must be specifically provided in state statute or law and is generally directly related to the funding source. The authority to apply for grants and develop a grant program within DPS is stipulated in 2023 Minnesota Statutes Section 299A.01, Subdivision 2, (4): "to award grant contracts with state agencies, local units of

¹ 2023 Minnesota Statutes Section 16B.97 "Grants Management":
<https://www.revisor.mn.gov/statutes/cite/16B.97>

government and other entities for programs that will benefit the safety of the public.”² This authority extends to ECN wherein ECN is identified as the administrator a grant in a legislative appropriation.

1.3.1. *Special Conditions for 911 Special Revenue Funds*

The ECN budget and its programs are typically funded from the 911 Special Revenue Fund which contains its own restrictions on use. ECN does not frequently receive funds from the state general fund. This manual applies to any state or federal grant that may be administered by ECN, regardless of funding source. This manual does not include details specific to the use or administration of 911 Special Revenue Funds. Grants funded from the 911 Special Revenue Fund will include specific allowability and reporting rules in its grant RFP documents which grantees are expected to follow.

1.3.2. *ECN Grants Management*

The ECN grant management process is required to follow the requirements of the OGM and policies of DPS. Requirements specific to ECN grant programs are included in the grant RFP (see [SECTION 2.1](#) for more information on grant RFP) and are incorporated in to the grant agreement. ECN administers grants through the ECN grant coordinator and in coordination with various ECN program managers and stakeholders, as applicable.

Information on ECN grant programs and contact information for the ECN grant coordinator is available on the [ECN grant website](#). For appropriations which allow grants, ECN relies on input and guidance from subject matter experts, local public safety agencies, regional Emergency Communications Boards/Emergency Services Boards (ECBs/ESBs), and other entities/individuals with an interest in the grant outcomes. Coordination with other entities is essential to ensure the most efficient and equitable use of grant funds across the state of Minnesota.

ECN grants have the overall goal of improving public safety and providing support for interoperable communications. It is important for grantees and ECN staff and contractors to work together in partnership towards this goal. The ECN grant coordinator’s primary role is to ensure compliance with federal, state, and other special conditions and legal requirements and to review progress and financial reports to ensure grantees receive proper reimbursements. The grant coordinator works with ECN program managers and other parties to grant administration to provide technical and programmatic oversight of grant programs.

Further information for the different ECN program areas and program manager contact information can be found on the [ECN website](#).

1.3.3. *Statewide Emergency Communications Board and Committees*

In some instances, ECN is required to collaborate with the Statewide Emergency Communications Board (SECB) to administer a grant program. The nature of this collaboration is written in to the grant’s enabling legislation and will be documented in the grant RFP. The SECB is designated as Minnesota’s State Interoperability Executive Committee per 2023 Minnesota Statutes Section 403.36, 1g.³ In that capacity, the SECB is responsible for the State Communications Interoperability Plan (SCIP) and for the

² 2023 Minnesota Statutes Section 299A.01 “Department of Public Safety; Creation, Organization”, Subdivision 2 “Duties of commissioner”, (4): <https://www.revisor.mn.gov/statutes/cite/299A.01>

³ 2023 Minnesota Statutes Section 403.36 “Statewide Radio Board”, Subdivision 1g “State Interoperability Executive Committee”. <https://www.revisor.mn.gov/statutes/2019/cite/403.36>

continued progress toward achieving interoperable public safety communications within the state, neighboring states and Canada.

The SECB is comprised of stakeholder representatives from local and regional entities. The SECB consists of a committee/work group structure that provides varying levels of oversight, review and advisory functions for ECN grant opportunities. This structure permits establishment of agreed upon priorities, definition of roles and responsibilities, oversight of process, and local representation at all levels of the organization. The SECB may receive the authority to make grants in appropriations from the state of Minnesota. To support those grants, ECN provides administrative, fiscal, and grants management per the ECN-SECB Memorandum of Understanding (MOU). This MOU is renewed on a biennial basis and outlines the roles and responsibilities between the SECB and ECN for managing its appropriation. Further information about the SECB and its committees can be found on the [SECB Website](#).

Additionally the state is divided into seven Regional Emergency Communications or Emergency Service Boards (ECBs and ESBs) which advise the implementation of emergency communications on the local level and often provide membership to the many SECB committees and working groups. Depending on the grant program, these regional boards may be grant recipients, advise the creation of grant RFPs, and/or act as the selection committee or may participate in elements of grant administration. Information from the individual Boards are on the [SECB Regional Website](#).

1.4. Grantee Expectations

ECN is committed to providing respectful and accurate responses to grant inquiries. The grantee has the right to the following expectations:

- Familiarity with their project.
- A prompt reply to requests for information or action.
- Timely processing of requests for reimbursement.
- Complete and accurate information.
- Assistance which respects the grantee's right to best determine needs at the local level.

To ensure a positive working relationship with ECN, grantees should:

- Inform the ECN grant coordinator of any problems encountered during administration of a grant, especially if problems will affect expenditures or program quality.
- Submit progress and financial reports accurately and on time.
- Read and fully understand the grant agreement and related state and federal policies.
- Contact the ECN grant coordinator with any questions or concerns.
- Contact the ECN grant coordinator immediately in the case of any suspected or identified financial irregularities or if there are any important changes in grant-funded projects.

1.5. Purpose of this Manual

ECN is responsible for monitoring grantee compliance per federal and state guidelines. This manual applies to all recipients of state and federal funding administered by ECN and provides useful information to properly manage grant funds. The federal government gives DPS and by extension, ECN, the right to maintain more strict requirements for grantees than are outlined in federal guidelines but the appropriate federal and state laws, statutes, rules and regulations supersede the guidance in this

manual. Further information on specific grant requirements for grants administered by ECN will be contained in the grant contract, grant RFP, and any other supporting documentation provided by ECN.

2. Funding Opportunity Development

ECN follows guidance from both OGM and DPS for the distribution of grants when funds become available. ECN will make information pertaining to grants publically available to potential grantees through resources such as announcements of available funding opportunities, grant RFPs, eligibility requirements, application submission instructions and other guiding documents as necessary. This section outlines the considerations for ECN preparing these guiding documents prior to opening grant RFPs for application.

2.1. Grant Structure

There are three primary structures under which a grant program may be designed:

- **Single/sole source grants.** When only one entity is reasonably able to meet a grant's intended purpose due to geographic location, specialized knowledge and/or relationships, and/or specialized equipment ECN may enter in to a single/sole source agreement. A single/sole source grant may not be based solely on agency convenience, preference, and/or prior relationships with a potential grantee. The procedure for single and sole source grants must be coordinated with the ECN Grants Coordinator, the ECN Division Director, and FAS. The procedure for documenting and approving single/sole source grants is outlined in OGM policy 08-07⁴. ECN is required to submit a Sole Source Grant Justification Form for all requests for single or sole-source grants.
- **Formula grants or legislatively-named grants.** The state or federal legislature determines the final recipients of a grant and the amounts that they will receive, which are then passed on to ECN to complete the award and contracting process. In formula and legislatively-named grants there is no competition for award funds, but a grant work plan and financial organization assessment document will be provided to support the grant's intended purpose and organization capacity to enter in to a grant agreement. The administration of legislatively-named grants is outlined in OGM Policy 08-11⁵.
- **Competitive grants.** When a number of grantees may meet a grant's intended purpose ECN must use a competitive grant process. Grantees must apply to the grant, be evaluated based on merit, risk, and metrics of success, and applications weighted and scored in order to determine the final grantee pool and award amounts.

Per OGM policy 08-07, state of Minnesota grants above \$5,000 are to be awarded competitively whenever possible. Unless a grant is legislatively named, a formula, or single/sole source grant, grants administrated by ECN are competitive grants. Competitive grants will follow the procedure outlined in this grant manual. In the event ECN is directed to create enter in to a legislatively-named grant agreement, a formula grant, or determines a single/sole source grant is required, ECN will follow OGM and DPS policy and procedure for entering in to those grant agreements and administering those grant programs. Any additional special conditions for single/sole source grants, legislatively named, or formula grants will be included in the grant agreement.

⁴ OGM Policy 08-07 "Policy on Single and Sole Source Grants" (PDF).
https://mn.gov/admin/assets/grants_policy2012_08-07_tcm36-207122.pdf

⁵ OGM Policy 08-11 "Policy on Legislatively Mandated Grants" (PDF).
https://mn.gov/admin/assets/grant_policy_08-11_tcm36-207118.pdf

2.2. Grant Request for Proposal/Notice of Funding Opportunity/Grant Program Guidelines

When incoming funding has been awarded to ECN, the grant enters the pre-award phase of the grant cycle and begins developing the grant request for proposal (grant RFP). Federal requests for grant applications are called the “Notice of Grant Funding Opportunity”/“Notice of Grant Funding Availability” (NOFO/NOFA), whereas grants issued by ECN are called the grant RFP. These documents all serve the purpose of notifying grant seekers of a grant opportunity and provide information relevant to grant applicants. Typically the grant RFP is a package of documents consisting of information on grant requirements, application forms, eligibility requirements, selection criteria, timelines and selection process. ECN refers to OGM Policy 08-03⁶ and DPS policy and procedure to develop the grant RFP. Prior to publishing a grant RFP, ECN must coordinate the review of this document with FAS. Once FAS and/or any other governing authorities have approved the grant RFP, then it will be published following the procedures in the sections below.

Once a grant is awarded, the grantee, ECN and DPS must fully execute a grant agreement. The grant agreement includes terms and conditions and to the grant contract. Applicants are encouraged to keep a copy of these materials available for reference in managing their grant.

2.3. Publicizing Grant Opportunities

2023 Minnesota Statutes Section 15.994⁷ requires state agencies with internet sites to provide information on grants available through the agency, and state agencies are encouraged to provide a link to the grant application under 2023 Minnesota Statutes Section 16E.20⁸. OGM Policy 08-03 further identifies methods for publicizing and sharing grant opportunities. State agencies are encouraged to develop systems for electronic grant application submission. ECN publishes grant opportunities on the [ECN Grant Website](#) and administers grant contracts through the [DPS E-Grants Platform](#). Grant seekers may also search all State of Minnesota grants on the [MN Grants Website](#).

2.4. Grant Eligibility and Sub-Award Compliance

It is ECN’s intent that all government, Tribal, public private, and non-profit entities may be considered the ultimate recipients of state grant funds allocated to interoperable communications. ECN publishes a list of eligible applicants in each grant RFP to identify the intended recipients of funds. In many cases this includes the regional ECBs and ESBs as described in [SECTION 1.3.3](#). At times, the grantee such as a regional ECB or ESB is not the final recipient of grant funds and grantees may elect to sub-award grants to tribes, local units of government, and other eligible entities. If a grant is being sub-awarded to other agencies and the grantee is not the final recipient of funds, entities must follow guidance related to sub-awards provided in [SECTION 3.6](#) and complete the Sub-Award Risk Management Questionnaire (see sample form in Appendices B and C) for each sub-award. Sub-awards must comply with the same grant agreement and any other pass-through requirements for the grant program, a certification of which must be provided to ECN by the grantee. Any funding eligibility requirements from the federal or state

⁶ OGM Policy 08-03: “Writing and Publicizing Grants Notices and RFPs” (PDF): https://mn.gov/admin/assets/08-03%20grants%20policy%20revision%20September%202017_tcm36-312048.pdf

⁷ 2023 Minnesota Statutes Section 15.994 “Internet Grant Information”.
<https://www.revisor.mn.gov/statutes/cite/15.994>

⁸ 2023 Minnesota Statutes Section 16E.20 “Electronic Conduct of State Business”.
<https://www.revisor.mn.gov/statutes/cite/16E.20>

funding source that are unique to that source of funding or grant program will be clearly outlined in the grant RFP and be passed down to sub-awards of grants.

3. Preparing to Apply for ECN Grants

Potential grantees have multiple considerations to make prior to applying for any grant program. This section outlines allowable cost, match, financing structure and other grant management requirements that apply to most ECN grants. Deviation from the guidelines provided in this manual, including federal requirements or stipulations of use based on the requirements of the 911 Special Revenue Fund will be defined in the grant RFP.

3.1. Cost Allocation

Cost allocation is the process of identifying, aggregating and assigning costs by program or funding source. Cost allocation is used for financial reporting purposes to spread common costs among programs. Prior to application, grantees are encouraged to consider the various costs related to completing a potential grant-funded project. Costs may be divided in to two broad categories – direct costs and allocated costs.

3.1.1. Direct Costs

If a cost solely benefits one purpose or project and the full cost of the good or service is included in the grant budget, the cost should be charged entirely to that purpose or project. Costs only assigned to the grant budget are direct costs.

3.1.2. Allocated Costs

Allocated Costs are expenditures that are shared across programs or which benefit more than one purpose. Examples of costs that may require an allocation are office space, internet services, janitorial and administrative costs. Allocated costs:

- Must be charged in the same proportions as the benefits received by the different purposes.
- Should be based upon reasonable methods of determining the benefit that each purpose receives.
- Have a documented method showing how they were determined and why the measure (FTE, square footage, hours, etc.) was chosen to determine relative benefit.
- Should be reviewed on a periodic basis and certainly when a significant change in operations occurs.

The following are some examples of cost allocation methods. These may not apply to all grant-funded projects but are important to be aware of when receiving grant funds.

- Allocation based upon usage. The cost of copier supplies might be based upon how many copies are made by each of the programs.
- Allocation based upon number of hours. The number of hours spent supporting various programs. This method is typically used to allocate the costs of personnel.
- Allocation based upon the number of clients served. A program is designed to serve only a certain category of client (usually determined by special status) therefore the percentage of these clients compared to the total number of clients served is used to determine allocation.
- Allocation based upon square footage. This measure is typically used to allocate the costs of renting, operating or maintaining the site used to provide services.
- Allocation based upon FTEs. This method is typically used to allocate services that support the work of employees.

Allocated costs may have different reporting requirements compared to direct costs, depending on the source of the cost and the type of documentation that can be required. [SECTION 7.2](#) provides more specific instructions on requesting reimbursement on approved allocated costs.

3.2. Local Match

Some grants require local match to the grant dollars received. If a match is required, grantees will know at the time of application for grant funds and the match requirement will be part of the grant agreement and budget. Some grant programs allow for grantees to submit a match waiver request; if so, this will be part of the grant RFP.

Match to grant funds is subject to the same restrictions as the grant funds. If it is not allowable with grant funds, it is not allowable as match. Federal funds may not be used as match for federal funds nor may the same match source be used as match for more than one grant. Matching contributions do not need to be applied at the exact time or in proportion to the obligation of the grant funds. However, full match must be reported before final grant funds are disbursed. If full match cannot be provided, the grant amount may be reduced proportionate to the amount of match.

Grantees must maintain records which show the source, amount and timing of all matching contributions. If an approved grant budget includes more than the required matching portion, the grantee must account for that additional match in the same manner as it does the grant funds and required match.

3.2.1. Hard Match

Hard Match (cash) includes cash spent for project-related costs. Allowable cash match includes costs which are allowable with grant funds. Hard match may come from:

- Funds from states and local units of government that have committed matching funds for programs or projects provided that the grantee certifies that the funds used as match are in addition to funds that would otherwise be made available for the program.
- Funds from Housing and Community Development Act of 1974 (subject to restrictions).
- Forfeited assets from the Equitable Sharing Program or program income funds earned from seized assets and forfeitures (as state law permits).
- Funds from private sources.
- Program income and the related interest earned on that income generated from other projects (See [SECTION 6.3](#) on managing and reporting program income).

3.2.2. Soft Match

Soft Match (in-kind) includes, but is not limited to, the valuation of in-kind services. “In-kind” is the value of something received or provided that does not require spending of cash. In-kind match is typically the calculated value of personnel, goods, and services, including direct and indirect costs. If providing soft match, the grantee should have the nature of the match approved as part of their grant application and agree to reporting requirements as designated in the grant RFP.

3.3. Approved Costs

ECN will only approve expenditures deemed allowable, allocable and reasonable. Grant RFPs are created for each grant program as outlined in [SECTION 2.2](#) and include grant-specific standards for allowability beyond those outlined in this manual. ECN also considers state priorities and potential public scrutiny

when determining the legitimacy of proposed expenses. In order to ensure that all costs will be reimbursable, ECN requires that applicants receive pre-approval for all grant expenditures by including them in their grant budgets. Grantees may revise their grant budgets prior to making expenditures if additional/unapproved costs are expected following the procedures for budget revisions in [SECTION 6.1](#). For certain expenses that cannot be known precisely at the time of grant application (such as those for travel, meals, attendance at conferences or meetings, and other similar expenses), grantees may submit an ECN Grant Special Expense Pre-Authorization Form (found on the [Grants page of ECN's website](#)) to acquire pre-approval for special expenses. Expenses that are not pre-approved by ECN risk not being reimbursed.

3.4. Allowable Costs

The federal government provides allowable grant expenditure guidance in its Code of Federal Regulations, Chapter II Part 200, Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards (herein referred to as the Uniform Administrative Requirements). The Uniform Administrative Requirements can be accessed on the [National Archives Code of Federal Regulations website](#). Where applicable, reference has been made to this resource within this manual. Grantees are encouraged to become familiar with these federal standards regardless of funding source. The state of Minnesota strives to maintain grant administration standards that meet or exceed the requirements of these federal government standards. The Uniform Administrative Requirements, Subpart E⁹ provides a guide for allowable and unallowable costs for any federal grant program and forms the basis for which the state of Minnesota grant programs consider the allowability for grant-funded costs.

Costs expressly unallowable or not in the approved budget should be excluded from any reimbursement request. In funding programs, ECN may determine the types of costs it is willing to fund. In some cases, ECN may choose to not allow costs that may be allowable under the rules of a federal grant program as it has determined it is in the best interest of ECN to uphold higher restrictions on grant expenditures than the federal requirements allow. Details on allowable costs specific to each grant program will be published in grant RFP.

Generally, budgeted costs which are necessary, reasonable and essential to the administration and operation of a program are allowable. Grantees are not guaranteed the full grant amount; but must provide documentation of eligible expenditures on a reimbursement basis to collect the full grant amount awarded.

Costs generally allowable are outlined in the list below. Some further detail on those costs and reimbursement of those costs are included in the linked subsections.

- **Personnel Services and Fringe Benefits.** See [SECTION 3.4.1](#).
- **Contracting, Consultant and Technical Services.** See [SECTION 3.4.2](#).
- **Staff Training and Development.**
- **Travel and Transportation Costs.** See [SECTION 3.4.3](#).
- **Insurance (including professional liability insurance).** If self-insured, no federal grant funds can be used for insurance reserves, except for tribal grantees.

⁹2 CFR, Subtitle A, Chapter II, Part 200, Subpart E "Cost Principles" <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E>

- **Space.** For occupancy in privately or publicly-owned buildings used for the benefit of the program where the total cost of space may not exceed the rental cost of comparable space for privately-owned buildings in the same locality. Includes:
 - **Rental Cost.** Space in a privately owned building or the cost of ownership where “rental rate” systems or the equivalent that adequately reflects actual costs, are employed. Such charges must be based upon actual cost (including depreciation based on the useful life of the building, operation and maintenance, and other allowable costs).
 - **Maintenance and Operation.** The cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs and alterations, and the like where they are not included in the rental charge or other charges for space are allowable if the grant included budget for space or rental cost.
 - **Depreciation.** When specifically approved, for buildings or equipment required to support grant activities and when accompanied by an inventory and depreciation schedule; allowable with state funds only.
- **Conferences and workshops (sponsored by grantee agency).** See [SECTION 3.4.3](#). Allowable costs may include conference or meeting arrangements, publicity, registration, salaries of personnel, rental of staff offices, conference space, recording or translation services, postage, telephone charges and travel expenses (including transportation and subsistence for speakers or participants).
- **Printing, duplication, publication.**
- **Equipment.** See [SECTION 3.4.4](#).
- **Software.** These costs may include software utilized within the grant’s performance period. Refer to [SECTION 3.1.2](#) and contact the ECN grant coordinator to determine the allowability and cost allocation for software purchases. Software that is purchased under a contract will follow the direction of [SECTION 3.4.2](#).
- **Accounting and administration of grant funds.** These costs will often fall under the same expenditure rules for personnel services and fringe benefits ([SECTION 3.4.1](#)) or under consultant and technical services ([SECTION 3.4.2](#)). Grantees should also consider the rules for allocated costs in [SECTION 3.1.2](#) for accurate accounting for administrative costs.
- **Audit.** Only allowable in certain circumstances. See [SECTION 3.4.5](#).
- **Indirect Costs.** Subject to some restrictions depending on the grant program being funded. Allowability of indirect costs is detailed in the grant RFP.
- **Office, postage and program supplies.**
- **Food and beverage.** Food for program clients and participants is allowable only for some grant programs; otherwise, generally not allowable. See [SECTION 3.4.3](#).
- **Program activities.** Reasonable cost of activities for program participants that are detailed in the approved work plan.
- **Telephone expenses.**

[3.4.1. Personnel Services and Fringe Benefits](#)

Costs related to personnel, such as salaries, wages and benefits must be pre-approved by ECN as part of the grant application. Personnel paid for with grant funds must work directly with the grant-funded program. Actual costs paid by the grantee are allowable. Accruals for future use of fringe benefits are

unallowable. Normal and reasonable severance pay for terminated direct service staff may be allowable but should be discussed with the ECN grant coordinator prior to expenditure.

Personnel costs must directly correlate with the amount of time spent by staff on eligible grant activities and documentation of such must be maintained, regardless of whether the personnel costs are reimbursed with grant funds or used as match. This documentation, in the form of a timesheet, must detail how many hours are spent on both grant activities and non-grant activities and show the percentage of total hours worked that is spent on grant related activities and included in the request for reimbursement. If all staff member's time is dedicated to the eligible work of one grant, a periodic certification of such must be prepared at least semi-annually and signed by the employee or their supervisor. For further information on requesting reimbursement for approved personnel costs, see

[SECTION 7.2.2.2.](#)

[3.4.1.1. Employee vs. Independent Contractor](#)

Grantees often have questions related to whether personnel working on grant programs are independent contractors or employees. An employment relationship under the Fair Labor Standards Act (FLSA) must be distinguished from a strictly contractual relationship. Typically an:

- Employee:
 - Does not control how, when or where they work.
 - Has no personal risk and is covered by workers' compensation.
 - Completes day-to-day work is important to the business.
 - Uses company resources.
- Independent Contractor:
 - Controls every aspect of how, when and where the work will be done.
 - Assumes all risk and is not covered by anyone.
 - Is not important for daily company flow.
 - Uses their own resources to get the job completed.

To determine whether control exists in an employee-employer relationship, the Internal Revenue Service (IRS) uses [Common Law Rules](#). Further, [IRS Publication #15a](#) addresses the classification of employees vs. independent contractors. If the grantee is unable to make a determination based upon reviewing available material they are encouraged to consult an employment law specialist.

If the grantee determines that a position/person must be classified as an employee they should use their agency's guidelines to determine their employment status (permanent, temporary, full-time, part-time, on-call, overtime, etc.) and calculate wages, taxes and available benefits accordingly.

[3.4.1.2. Volunteers, Interns and Stipends](#)

Volunteers can be a great resource for grantees. However, grantees that utilize volunteers and/or use grant funds to provide training programs such as internships need to be aware of the labor laws that may apply to them. Grantees should refer to the Wages and Fair Labor Standards Act, [FLSA Advisor](#) for the legal definitions of volunteers and trainees.

The U.S. Department of Labor 29 C.F.R. Sections 553.100-106¹⁰ states that a volunteer may only be paid expenses, reasonable benefits, a nominal fee/stipends or any combination thereof. A nominal fee is something not tied to productivity and does not exceed 20% of what an employee would be paid for the same activity. Some federal grant programs do not allow use of stipends. According to the U.S. Department of Labor, if a volunteer or intern is paid a stipend of over \$500 a year or exceeds 20% of what an employee would be paid, then they are considered an employee and subject to laws that govern employees.

3.4.2. *Contracting, Consultant and Technical Services*

If a grantee intends to use a contractor (individual or organization) they must use a written agreement/contract. All contracts must be reviewed by ECN prior to incurring costs; otherwise there is the risk that the cost will be unallowable. In many cases, the scope of work, contract, or RFP seeking services will be required documentation submitted with the grant application.

Contracts are legally enforceable documents and should include the following required elements:

- Scope of Services (activities, specific expectations or duties, hours/days of service). Include sufficient detail to ensure that the contractor is held accountable for what they agreed to do. This is a critical piece of the document because it makes clear that the contractor is not receiving funds for general support, but rather for specific activities or products.
- Beginning and ending date of the contract and termination guidelines (and if applicable, a clause related to the source of funds and anticipated expiration date).
- Terms of payment. Describes what the contractor will be paid for, how they bill and what conditions must be met to receive payment. It should clearly describe what budget items the funds will cover. All contracts must provide for post payment, i.e., payment after services/products are delivered and must indicate the maximum amount that can be collected via the contract.
- Authorized agent for contract administration for both parties.
- Products/reports required and ownership of such.
- Clarification of status as an independent contractor.
- Access to records (contracts must allow for grantee and state/federal access).
- If “cost reimbursement,” then what costs are allowable, e.g., conformance with Federal Financial Guidelines.
- Any other provisions required (including any federal or state grant requirements that flow-through to contractors).

Other considerations when contracting for services using grant funds:

- Responsibilities and the use of contractors. The grantee maintains responsibility for all aspects of the program including proper accounting and financial record keeping by the contractor. Responsibilities include the accounting of receipts and expenditures, cash management, maintaining of adequate financial records and refunding of expenditures disallowed by audits.

¹⁰29 CFR, Subtitle B, Chapter V, Subchapter A, Part 553 “Application of the Fair Labor Standards Act to Employees of State and Local Governments”. <https://www.ecfr.gov/current/title-29/subtitle-B/chapter-V/subchapter-A/part-553>

- Paying contractors. Contractors must bill in writing and with sufficient detail to demonstrate that the terms of payment are being followed.
- Standard vendor contracts. If the grantee is using a vendor to provide a routine service such as maintenance, language translation or accounting, the grantee may use their standard form. Vendor contracts for equipment acquisition have further requirements and considerations outlined in [SECTION 3.4.4](#).

Grantees should contact the ECN grant coordinator for questions related to contracting. However, the contract is a legal document and ECN does not provide legal advice. The grantee organization may want to contact an attorney to offer additional advice on contract agreements prior to entering in to them utilizing grant funds.

3.4.2.1. Procurement

The Uniform Administrative Guidance, Subpart E¹¹ identifies procurement standards that must be upheld, including full and open competition and conflict of interest requirements. Applicants may reference [SECTION 3.9](#) for conflict of interest requirements as it applies to grants. Procurement requirements are included in the terms and conditions of grant agreements and include specific, state-approved requirements for procurement at the time of agreement. Noncompetitive (sole source) proposals are allowed if the item is only available from a single source, or when a public emergency requires an immediate response or when competition is deemed inadequate after solicitation from multiple sources. The decision of a grantee to procure services under a noncompetitive procedure must be documented in the grant file. Grantees are encouraged to enter into state and local intergovernmental agreements for procurement or use common goods and services.

Grantees can use their own procurement procedures, provided they are documented in writing, are as strict as the federal procurement policy, and if they follow all applicable federal, state, and local laws and regulations. In cases where the federal procurement policy is stricter than the grantee's, the federal policy must be followed. Contractors that develop or draft specifications, requirements, statements of work, and invitations for bids and/or requests for proposals must be excluded from competing for such procurements.

3.4.3. *Travel, Meeting, Food, Beverage and Other Special Expenses*

Expenses related to food, beverage, registration, meeting expenses and/or travel are not allowable in all grant programs and must be pre-approved before expenses are incurred for all ECN grants. Grantees should submit a completed Grant Special Expense Pre-Authorization Form posted on the ECN website to ECN prior to incurring expenses to ensure that expenditures are appropriate and allowable under the scope of the grant. ECN will provide an approved form to the grantee, which should be kept in the grant file and submitted alongside the grantee's request for reimbursement.

Grant expenses are paid on a reimbursement-basis only for actual eligible travel expenses incurred. Grantees should use their own travel policies as long as they do not exceed the current [Commissioner's Plan](#) (Commissioner of Employee Relations for the State of Minnesota). If the grantee organization reimburses employees at a higher per diem and/or mileage rate than stated in the Commissioner's Plan,

¹¹ 2 CFR Subtitle A, Chapter II, Part 200, Subpart D, Section 200.317 through 200.326 "Procurement Standards". <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-ii/part-200/subpart-D/subject-group-ECFR45ddd4419ad436d>

they may do so but will not be reimbursed the difference using grant funds and cannot apply the difference as match. In the absence of an established travel policy, grantees should use the Commissioner's Plan.

Special expenses for each of the following expense types require pre-approval from ECN and will be approved based on the below guidelines and/or the review of the grantee's special expense pre-authorization form:

- **Conference, training, exercise or other event registration/fees.** Eligible provided the event is held out of state, the event includes activities that are aligned with the goals of the grant program or the grantee's approved work plan, and/or the event has a registration fee.
- **Venue/room booking fees.**
- **Lodging.** Secured at the lowest rate available at a reasonably priced facility. Grantee must provide an invoice/folio for the cost of lodging. An Affidavit of No Receipts will not be accepted.
- **Mileage.** Accrued on a personal vehicle and reimbursed based on the current IRS rate.
- **Cabs, rideshare, and/or transit fees.**
- **Parking fees and tolls.**
- **Rental vehicles.**
- **Airfare.** At a comparable price to standard trips between two destinations. Additional fees such as additional baggage or seat upgrades are not allowable for grant reimbursement and must be borne by the grantee.
- **Meals.**
 - Meals for a group are provided to participants at an exercise, meeting, training, conference or other event are an allowable activity under program guidelines and satisfy the following tests:
 - The cost of the food and/or beverages provided is considered reasonable.
 - The food and/or beverages provided are part of a work-related event and work starts before and continues after they are served.
 - The food and/or beverages provided are not related to amusement or a social event. Any event where alcohol is served is considered a social event; therefore, costs associated with the event are not allowed.
 - Meals for an individual are purchased while an individual is on overnight travel status and do not exceed the maximums identified in the current Commissioner's Plan.
- **Other special expenses and incidentals.** Additional costs (such as tips, supplies, and miscellaneous incidentals) may be included in the pre-approval request. Grantees should reach out to the ECN grant coordinator prior to accruing any expenses.

Grantees are encouraged as much as possible to estimate the costs of travel, food and beverage, conference, exercise, training, and other incidental costs in the content of their grant application. To request pre-approval for food and/or beverage expenses, conference costs, training and exercise costs and any other incidental expenses not detailed in the original grant application, grantees must submit an ECN Grant Special Expense Pre-Authorization Form (found on the [Grants page of ECN's website](#)) and an event agenda to the ECN grants coordinator at least two weeks before the event. Questions about grant expenditures and what may require pre-approval can be directed to the ECN grant coordinator. If the grantee does not seek pre-approval for expenditures and it is determined that the expenditures do

not fall within the allowable costs in the established grant plan, ECN may deny reimbursement of those expenses.

3.4.4. *Property and Equipment Expenses*

Grantees are required to be prudent in the purchase and management of property. Purchase of new property will be considered an unnecessary expenditure when suitable property is already available. Grantees purchasing property with grant funds must maintain systems for the effective management of the property. Federal grant requirements distinguish between two types of property procured under grant programs:

- **Expendable personal property.** Tangible personal property with a useful life of less than one year and per unit cost of less than \$5,000. This includes items such as supplies and materials and other items required for the program's operation. Expendable personal property should be recorded, controlled and monitored.
- **Equipment.** Tangible personal property (including information technology systems) having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Allowability of equipment costs varies by grant fund. Grant programs that do allow equipment expenses require that the equipment purchased be eligible for the grant program and pre-approved by ECN as part of the grant application. Equipment purchased with grant funds must be insured in the same way that non-grant-funded equipment is insured. Guidance for each grant program is made available with the grant RFP and includes additional direction when applicable.

Procedures and considerations for equipment purchases with grant funds include the following.

- **Purchase.** In reviewing equipment budgets and requests, the following principles apply:
 - The equipment is essential to the operation of the project and the cost is reasonable.
 - No other equipment owned by the grantee is suitable for or available to the effort.
 - Funds cannot be used as reimbursement for the purchase of equipment already owned by the grantee.
 - Equipment purchased and used commonly for two or more programs will be appropriately prorated to each activity, see [SECTION 3.1.2](#) on allocating these costs.
- **Title.** ECN will use the following standard for all equipment purchased with grant funds:
 - Title to equipment purchased under a grant belongs to the grantee.
 - The equipment must be used in the program for which it was acquired as long as needed.
 - When it is no longer needed for the original program, it may be used in other activities currently or previously supported by grant funds.
 - When acquiring replacement equipment, the original equipment may be used as a trade-in or may be sold with the proceeds used for the replacement equipment.
- **Care of equipment.** Grantees are responsible for replacing or repairing property which is lost, stolen, damaged or destroyed. Any loss, damage or theft of equipment must be investigated and fully documented and made part of the official grant contract records. Stolen property must be reported promptly to the appropriate law enforcement agency and a copy of the report retained in the program files.

- **Procurement.** Specialized equipment costing more than \$5,000 per unit that can be purchased from more than one vendor must follow procurement instructions outlined in [SECTION 3.4.2.1](#). Further instructions on state procurement procedure are included in the grant agreement.
- **Inventory.** A physical inventory of equipment must be taken at least once every two years. Grantees must maintain the following types of documentation for equipment purchased with grant funds:
 - Copies of the purchase order(s) and invoice(s).
 - A current inventory system which includes the following items:
 - Description of property.
 - Manufacturer’s name, model and serial number.
 - Acquisition date, cost and vendor name.
 - Amount and source of grant funds used for purchase.
 - Percentage of federal/state support of the cost.
 - Inventory control number.
 - Location of property.
 - Date of disposal or sale (and price).

When applicable, as may be the case in the reporting of some federal grant funds, ECN may require additional reporting forms specifically for equipment outside of the standard request for reimbursement and progress report format. These additional instructions and requirements on the reporting and equipment purchases will be contained in the grant RFP.

3.4.4.1. Maintenance Agreements, Service Contracts and Warranty Coverage

Costs related to maintenance agreements, service contracts and extended warranties for systems or equipment must be included in the grant application and/or otherwise preapproved by ECN.. Some grant programs may allow for costs related to maintenance provided those expenses occur during the grant’s performance period. Reimbursement for maintenance, service contracts and warranty coverage should be pro-rated to limit these expenses to the period of the grant if they are deemed allowable and approved by ECN.

3.4.5. Audit Costs

In state-funded grants, costs associated with the auditing process are allowable only if determined allowable at the time of budget negotiation. In all cases, including federal grants; only a properly prorated portion of the cost is allowable within its fiscal year. Audit costs may be allowable in the case that a pass-through entity is utilizing a portion of its grant funds to monitor sub-awards. Further federal guidance is contained in the Uniform Guidance § 200.425 Audit services¹².

3.5. Costs Generally Unallowable

These costs are unallowable as either direct or indirect costs and will not be funded by grant funds:

- **Negative PTO.** Negative paid time off balances may be allowable for the agency, but is not an eligible grant expense.

¹² 2 CFR Subtitle A, Chapter II, Part 200, Subpart E “Cost Principals”, General Provisions for Selected Items of Cost Section 200.425 “Audit services”. <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.425>

- **Audit.** See [SECTION 3.4.5](#) that details the circumstances where a portion of audit costs may be allowable.
- **Lobbying and membership fees.** Includes fees to organizations whose primary activity is lobbying.
- **Fundraising.** Includes costs associated with grant writing.
- **Costs incurred outside of the grant period.** Includes costs incurred during pre-award such as administrative work, preparation of the grant application, and solicitation for grant-funded services prior to the grant award.
- **Corporate formation.**
- **Fines, late fees and penalties.**
- **Conference and workshop expenses.** Some expenses are allowed, however entertainment, sports, visas and passports, bar charges, alcoholic beverages, meals and refreshments, and laundry are not. See [SECTION 3.4.3](#).
- **Stipends.** Generally unallowable; see [SECTION 3.4.1.2](#).
- **Luxury vehicles.**
- **Mileage over the current IRS rate.** See [SECTION 3.4.3](#) for mileage and other travel reimbursement.
- **Ammunition.**
- **Honorariums.**
- **Entertainment, social activities, alcoholic beverages and any associated costs.**
- **Compensation and travel expenses of federal or state employees.**
- **Other costs specifically prohibited by the source of grant funds.** These will be directly indicated in the grant RFP.

3.6. Sub-Awards

In some cases, a grantee may choose to sub-award a grant to other entities in order to disburse grant funds. Direct grant recipients to ECN grants are considered grantees, and sub-awards are referred to as sub-awardees. ECN no longer utilizes the term ‘fiscal agent’ to identify grantees administering sub-awards of grant funds. It is assumed that the grantee agency assumes full responsibility for the fiscal management and award conditions of the grant funds and passes these requirements on to the sub-award, including:

- Compliance with the terms and conditions of the grant agreement.
- Completion of a sub-award risk assessment.
- Completion and timely submission of all programmatic and financial reports required by the grant program.
- Ensuring that all activities are accomplished and reported according to the terms of the grant agreement.
- Monitoring the line item budget, making sure the budget is followed according to the terms of the grant agreement and retaining all required documentation.
- Complying with audit requirements (as applicable).
- Being the official liaison between the state and any subcontractors, collaborators and/or contract agencies that may actually be responsible for carrying out activities.
- All other conditions spelled out in the grant agreement which are not contained here.

A grantee is required to complete a sub-award risk assessment for each sub-award of their grant award and the sub-awardee must complete an acknowledgement that they have reviewed the grant's terms and conditions prior to entering in to a grant award with ECN. A Sample Pre-Award Risk Assessment for Sub-Awards is included in Appendix C. An example acknowledgement form for sub-awards is included in Appendix D. Grantees who do not complete this documentation for their sub-awards are not eligible to enter in to grant agreements with ECN.

Throughout the grant term, there may be administrative changes on the part of the grantee that may be allowable. Grantees are encouraged to contact the ECN grant coordinator with questions about organizational or administrative changes to the grant award. However, there is no process for changing the grantee administering sub-awards within a grant term. Grantees should assume that if the grantee/sub-award structure does not work, the grant agreement will be terminated.

Costs that the grantee agent incurs in administering the grant and its sub-awards are considered allowable expenditures and may be included as part of the approved budget. Grantees must keep clear records documenting time and other costs charged against the grant. The use of an administrative fee or percentage approach must be negotiated with ECN prior to final budget approval.

3.6.1. *Sub-Award Management*

Completing the sub-award risk assessment, the sub-award certification, and monitoring and documentation of the grant award are responsibilities of the grantee. In some cases, the grantee may desire to place additional management requirements on sub-awards beyond what is included in the sub-award risk assessment and certification between the grantee and the state of Minnesota. Such agreements or contracts are not required, but if they exist, they must be provided to ECN as part of the grant application, prior to grant award or amended to the application before grant expenditures are made. Agreements between the grantee and the sub-award(s) do not supersede or modify state and federal guidance. If it is applicable to the grantee, then the same rules apply for the sub-awardee. The grantee may elect to administer their sub-awards through contracts such as memoranda of understanding, sub-grant agreements, organizational bylaws and/or joint powers agreements as determined best suited to the sub-award program by the grantee.

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Grantees may contact the ECN Grant Coordinator with any questions related to sub-award management. However a memorandum of understanding, sub-grant agreements, joint powers agreements and bylaws are legal documents and ECN does not provide legal advice. The grantee may want to contact an attorney to offer specific advice on sub-award agreements prior to entering in to them utilizing grant funds.

3.7. *Non-Supplanting*

Many grants have a "non-supplant" requirement. Funds must be used to supplement existing funds for program activities and not replace those funds which have been appropriated for the same purpose. Grantees must ensure that grant funds are not used to pay for something or someone that has already been allocated from another funding source, such as a local or general fund. To pay for something with grant funds that would otherwise be funded with local sources would be supplanting.

This provision applies primarily to states, counties and local units of government where funds are appropriated for specific public safety purposes. If appropriated non-federal resources are reduced agencies will be required to demonstrate that the reduction in non-federal resources occurred for reasons other than the receipt or expected receipt of state or federal grant funds. In order to assure non-supplanting use of funds, sufficient documentation will be required at the time of application and the form of that documentation will be described in the grant RFP.

Possible cases where the non-supplant requirement is met:

- Funds were appropriated for a limited period of time and projects are discontinued or would be discontinued without the awarding of federal and/or state funds.
- Funds may allow an organization to expand activities beyond what local resources have been appropriated for; either by adding additional activities, expanding a service area or serving a larger number of individuals.

3.8. Non-Comingling

Federal regulations prohibit the comingling of grant funds. Comingling is the mixing or blending of funds within a financial accounting system so that expenditures cannot be identified to a particular grant, project or indirect activity. Grantees must utilize financial systems that provide for effective control over and accountability for all funds, with separate accounts established for each grant and the affiliated income and expense separate from any other.

3.9. Conflict of Interest

Grantees are required to use grant funds in the best interest of their awarded program(s). Decisions related to these funds must be free of hidden and apparent personal or organizational conflicts of interest and free from the appearance of conflict of interest. The Uniform Administrative Requirements § 200.112¹³ requires that grantees disclose in writing any potential conflict of interest to the granting agency prior to entering in to a grant agreement. Further, OGM Policy 08-01¹⁴ outlines the requirements and conduct related to avoiding both actual and potential conflict of interest related to state grant-making at both the organizational and individual levels. OGM Policy 08-01 states, “Minnesota state agencies, executive branch boards, committees, authorities, task forces, and councils must work to deliberately avoid actual and potential conflicts of interest related to grant-making and grant administration at both the individual and organizational levels. When a conflict of interest concerning state grant-making exists, transparency is be the guiding principle in addressing it.” DPS Grants Management Policy 3013 reinforces this conflict of interest policy as it applies to DPS grants. As such, ECN is required to address conflict of interest in grant policies and procedures and complete documentation regarding potential and actual conflicts of interest where they may apply.

DPS policy 3510, Ethical Practices and Conflict of Interest in the Acquisition of Goods, Services, Contracts, Utilities, or Grants Processes, distinguishes between two types of conflict of interest:

¹³ 2 CFR, Subtitle A, Chapter II, Part 200, Subpart B, Section 200.112 “Conflict of Interest”.

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-B/section-200.112>

¹⁴ OGM Policy 08-01: “Grants Conflict of Interest” (DOCX): https://mn.gov/admin/assets/OGM%20Policy%2008-01%20Conflict%20of%20Interest%20in%20State%20Grant-Making%2001.01.2022_tcm36-515734.docx

- **Conflict in Fact.** In the use of award funds (direct or indirect), a grantee or sub-awardee should not participate in any decisions, approval, disapproval, recommendations, investigation decisions or any other proceeding concerning any of the following people or groups:
 - An immediate family member.
 - A partner.
 - An organization in which they are serving as an officer, director, trustee, partner or employee.
 - Any person or organization with whom they are negotiating or who has an arrangement concerning prospective employment, has a financial interest or for other reasons can have less than an unbiased transaction with the recipient or sub-award.
- **Conflict in Appearance.** In the use of award funds, ECN, the grantee and any sub-awardees should avoid any action which might result in or create the appearance of:
 - Using an official position for private gain.
 - Giving special treatment to any person.
 - Losing complete independence or objectivity.
 - Making an official decision outside official channels.
 - Affecting negatively the confidence of the public in the integrity of the government or the program.

Typical conflict-of-interest issues include:

- Less-than-arm's-length transactions. The act of purchasing goods or services or hiring an individual from a related party such as a family member or a business associated with an employee of the recipient.
- Not using fair and transparent processes for sub-award decisions and vendor selection. These processes must be free of undue influence, fair and transparent. Most procurement requires full and open competition. See [SECTION 3.4.2.1](#) for procurement requirements.
- Not ensuring that the work of consultants in grant programs work conforms to all regulations governing a fair consultant selection process, reasonable pay rates and specific verifiable work product.

All grantees are encouraged to maintain a written standard of conduct, including a conflict of interest policy. If the grantee has a parent, affiliate, or subsidiary organization that is not a state or local government, the entity is encouraged to also maintain written standards of conduct covering the organization's conflict of interest.

DPS strives to avoid any actual, potential, or perceived conflict of interest. As an administrator of grant funds, ECN is responsible for identifying if an actual, potential, or perceived conflict of interest exists, both at the individual and organizational level. Participants in the grant evaluation process must complete Conflict of Interest Disclosure forms for each grant review. When a conflict of interest exists, ECN must take affirmative action to avoid, minimize, or otherwise mitigate the impacts of actual, potential, or perceived conflict of interest. More information on the evaluation procedure is contained in [SECTION 4.2](#).

4. Grant Application

The grant application is a set of forms and attachments compiled to meet the submission requirements contained in the grant RFP. Grant applications are a prerequisite to be considered for a grant award and the information gathered with the application will vary depending on the type of grant, the source of funding and the intended goals of the grant.

4.1. Grant Application Elements

At a minimum, each grant application will include a cover page, grant work plan, and financial records. Depending on the specific grant, additional forms and/or attachments may be required. Additional documentation requirements will be listed in the grant RFP.

4.1.1. Cover Page

Grant applications include a cover page which summarizes the grant request and identifies the key contact/persons who will be administering the proposed grant-funded projects. At a minimum, the cover page will include the following:

- Title for the grant application or specific project requesting funding.
- Applicant information:
 - Grant applicant name and contact information. This is the primary program contact in case there are questions about the application packet.
 - Official with authority to enter in to the grant agreement (the authorized signer or authorized representative) and contact information, if different from the applicant.
 - Minnesota SWIFT vendor ID number or tax ID for the applicant agency.
- Overall grant funding request.
- Assurances that the authorized representative has reviewed the grant application and grant RFP documents in full and agrees to the terms provided therein.

4.1.2. Grant Work Plan

Where activities and standards have not been pre-determined by the terms of the legislation authorizing the grant or the federal granting agency, a work plan will be required that typically addresses the following:

- Project goals and the relationship to the objectives of the program.
- Target population or number of individuals to be served.
- Tasks to be accomplished or services to be provided.
- Budget.
- Time frame.
- Key collaborators and responsible parties.
- Evaluation strategies.
- Relationship to local, regional, state and federal goals, if applicable.

The approved work plan will be incorporated into the grant agreement by reference.

4.1.3. Financial Records

The grantee will be required to submit any financial information required by the grant RFP. The financial records must contain information about the grant award and authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by source documentation where

applicable. Grantees must adequately safeguard all assets and assure that they are used solely for authorized purposes.

4.1.4. *Other Attachments*

Depending on the source of the grant and its related requirements, additional information may be required as part of a complete grant application. Refer to the grant RFP to determine if additional documentation is necessary. Other attachments could include but are not limited to:

- JPA, MOU, sub-grant agreements or other legal agreements between the grantee and sub-awardees for grants requiring or encouraging partnerships with more than one agency – see **SECTION 3.6** for more information.
- Equipment information showing specifications that will be used when soliciting for bids on a grant-funded purchase.
- The proposed scope of work for any contractors or vendors to be procured under the grant program.
- Additional written documentation of the grantee’s commitment to complete the project or its relationship to other initiatives or agencies at the local, regional, state or federal levels.
- Compliance with approved standards to meet system requirements.
- Other supporting documentation as determined by the funding source or by ECN.

4.2. *Application Receipt, Review, Evaluation and Award*

ECN grant notification and award will be done in a fair and equitable manner. Per OGM Policy 08-03,¹⁵ competitive grant opportunities will be published as widely as possible and at a minimum posted on the ECN website. Information on the grant review criteria and selection process will be included with the grant RFP.

4.2.1. *Application Screening and Review Process*

For all competitively-awarded grants, ECN is required to complete and document an application review process per OGM Policy 08-02¹⁶ prior to selecting the final grant awards, Grant application evaluation criteria will be published as part of the grant RFP. ECN will establish a grant review panel for the purpose of reviewing and scoring grant applications. All panel members must complete a Conflict of Interest Disclosure form as required by OGM Policy 08-01¹⁷, by DPS Policy 3510 “Ethical Practices and Conflict of Interest in the Acquisition of Goods, Services, Contracts, Utilities, or Grants Processes”, and by DPS Policy 3013 “Grants Management Policy” to be approved for participating in the review process by ECN. For more information on conflict of interest for ECN grants, see **SECTION 3.9**.

¹⁵ OGM Policy 08-03, “Policy on Writing and Publicizing Grants Notices and Requests for Proposal” (PDF). https://mn.gov/admin/assets/08-03%20grants%20policy%20revision%20September%202017%20final_tcm36-312048.pdf

¹⁶ OGM Policy 08-02, “Policy on Rating Criteria for Competitive Grant Review” (PDF). https://mn.gov/admin/assets/08-02%20Grants%20Policy%20Revision%20September%202017%20final_tcm36-312046.pdf

¹⁷ OGM Policy 08-01: “Grants Conflict of Interest” (DOCX). https://mn.gov/admin/assets/OGM%20Policy%2008-01%20Conflict%20of%20Interest%20in%20State%20Grant-Making%2001.01.2022_tcm36-515734.docx

The evaluation process is typically broken in to five phases. At the end of this process final grant recipients will be identified and ECN may initiate the grant agreement process with the selected recipients. A basic outline of the evaluation process is in the following sections.

4.2.1.1. Phase 1: Screening

Applications that meet minimum criteria established in the grant RFP will be collected by ECN and forwarded to the grant review panel for scoring.

- Received by (not postmarked by) the due date and time.
- The applicant meets the minimum eligibility of the grant, established in the grant RFP.
- Application is complete and includes all required forms.

4.2.1.2. Phase 2: Application Components Scored

- ECN will publish scoring criteria in the grant RFP so that applicants are aware of the selection criteria and their relative weight in the ranking system. Each grant application will be scored by the grant review panel. Panel members will apply a score to each component listed in the scoring materials. Typically, review criteria are based both on the programmatic requirements and on an applicant's ability to carry out the grant.

ECN will consolidate the scores and host a meeting of the grant review panel to finalize scores and create a draft grant funding proposal based on these scores.

4.2.1.3. Phase 3: Review of Grant Application Scores and Approval of the Grant Funding Proposal

Depending on the grant, additional approval by other administering agencies such as the SECB, DPS Fiscal and Administrative Services and/or Commissioner's Office, other State of Minnesota agencies, or certain federal agencies may be required prior to finalizing the grant plan and notifying grant recipients. As a standard practice, those applications with the largest average score are offered grant awards. ECN may offer grant award amounts that differ than the applicant's grant request or the maximum grant amount. During this phase, ECN may contact applicants to obtain clarification to one or more sections of the application. ECN may also contact reviewers to obtain clarification of their feedback.

Once complete, the funding packet will be approved by ECN and other administering entities as applicable. Such approval provides ECN the authority to complete risk assessment documentation (see sample forms in Appendices B and C), review organizational financial information, and begin processing grant agreements with the grant recipients.

Once the grant funding approval is complete, ECN will provide grant applicants with a notification on the status of their award and instructions for completing their application in the [E-Grants Online Grant Management System](#).

4.2.1.4. Phase 4: Grant Award Notification

Once evaluation is complete, ECN will provide grant applicants with a notification on the status of their award. Written notification of grant award will be made to the grant recipient at the completion of the grant evaluation and approval process and will provide additional instructions towards completing the grant contract agreement.

4.2.1.5. Phase 5: E-Grants Application and Pre-Award Risk Assessment

The grantee will be responsible for completing the application process in the [E-Grants Online Grant Management System](#), as outlined in [SECTION 4.3](#). ECN will provide directions to the grantee to complete

registration and application using E-Grants. The grantee will upload their application and set up their grant budget to fulfill the requirements of the grant contract.

As a final step in this process, the grantee will perform a risk assessment of any sub-awards (if applicable) prior to contract execution (see Appendix C for a sample Pre-Award Risk Assessment (Sub-Awards)). Likewise, ECN will conduct a risk assessment and financial review as well as document prior performance (see Appendix B for a sample Pre-Award Risk Assessment (Grantees)). This assessment ensures ECN compliance with OGM Policy 08-06,¹⁸ DPS Grant Management Policy No. 3013 “Grants Management Policy”, and the Federal Office of Management and Budget (OMB, as required if the grant uses federal funds) Uniform Administrative Guidance Chapter 2, CFR Section 200.331(b),¹⁹ which require that state agencies “complete a pre-award risk assessment before making a grant... to a potential grantee to assess the risk that they cannot or would not perform the required duties specified in the grant contract agreement” (OGM Policy 08-06). These processes will determine risk and monitoring outcomes for the grantee, and in some rare cases the results of this assessment may prevent the State of Minnesota from entering in to a grant agreement with the applicant.

In addition to the Pre-Award Risk Assessment form, grantees that sub-award their grants will be required to complete a sub-award compliance form for each sub-award. This document is signed by the sub-awardee and certifies that the entity has read and agrees to all terms and conditions of the grant. Information on sub-awarding grants is included in [SECTION 3.6](#).

4.2.2. *Rejections, Denials, and Appeals*

State agencies have the authority to not award a grant. ECN must notify the potential grantee and provide reasons for not awarding the grant, which may be contested by the potential grantee. The reason for the rejection or denial of a grant by ECN and any other administering bodies may be any number of factors, including, but not limited to:

- Insufficient funding to meet all requests.
- The grant request or portions of the request are outside of the scope of the grant goals or not allowable by the funding source.
- The application was incomplete or insufficient.

If an applicant’s grant funding request is denied, an appeal may be made to ECN within 30 business days of the receipt of the notification of denial. ECN is obligated to receive the appeal, review the request with applicable administrative parties, provide a written reason for rejecting or denying the grant to the grantee upon request, and consider the reasons for denial of the funding request. At the end of this process, ECN may uphold the denial or send the funding request back to the grant review panel for assessment.

¹⁸ OGM Policy 08-06, Policy on Pre-Award Risk Assessment for Potential Grantees (PDF).

https://mn.gov/admin/assets/Policy%2008-06%20Pre-Award%20Risk%20Assessment%20Effective%20Date%20January%2015%202024_tcm36-604382.pdf

¹⁹ 2 CFR Subtitle A, Chapter II, Part 200, Subpart D, Section 200.331 “Subrecipient and contractor determinations”.

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR031321e29ac5bbd/section-200.331>

4.3. Grantee Registration to E-Grants

Once a grant application is approved, the grantee will be required to register in the [DPS E-Grants Platform](#). E-Grants is the DPS-standard grant contract registration website to upload any award documentation and for ECN to manage and monitor the grant award. All grants with ECN are monitored through E-Grants. Once a grantee is registered, ECN will be able to execute the grant agreement, identify key contacts administering the grant, encumber funds towards the purpose of the grant, and initiate the grant period of performance.

Applicants recommended for an award must wait until they receive the fully-executed grant contract in E-Grants before providing any grant-funded services and before incurring expenditures. Any expenses incurred prior to the full execution of the grant contract are not reimbursable and are the responsibility of the applicant/grantee. If the grantee anticipates issues with this timeline in relation to planned projects, they may reach out to the ECN grant coordinator expedite processing of their grant contract.

5. Administration of Grant Agreements

ECN is tasked with monitoring grants in order to measure progress toward the fulfillment of grant program goals; ensure compliance with all terms, conditions and purposes of the grant; identify and support technical assistance needs; and provide general grant management guidance. A grantee must enter in to a fully-executed grant contract agreement with ECN prior to expending any grant funds. Grant contract agreement and grant award notification policies are outlined in OGM Policy 08-04²⁰. While State of Minnesota guidance allows for alternatives to grant contract agreements for certain grantees or programs, DPS Policy 3103 “Grants Management Policy” requires a grant contract agreement for all grantees and therefore applies to all grants administered by ECN.

5.1. The Grant Agreement

The grant agreement is a legal document (contract) that outlines the conditions of the grant including the total dollar amount, match requirement (where applicable), grant period start and end dates, and any special conditions. The grant agreement also specifies that grantees are expected to comply with all applicable federal, state and local laws, ordinances, rules and regulations. A separate document containing the grant terms and conditions is referenced in the grant agreement and expands upon provisions that govern the grant award. Standard DPS grant terms and conditions are made available to the applicant prior to execution of the grant contract agreement in E-Grants and may differ depending on the grantee entity type. The grant agreement is considered fully executed when it has been signed by the grantee’s authorized signer, the ECN representative or other authorized representative who has been granted delegated authority, and the FAS representative who has verified that the grant funds have been encumbered.

The grant agreement incorporates adherence to all of the following items:

- Fully-executed grant contract agreement and any amendments to the grant contract agreement.
- Standard State of Minnesota terms and conditions. Terms and conditions are legal requirements that the grantee must meet in order to receive grants from ECN. Negotiation on the terms and conditions must be requested from the ECN grant manager and be coordinated with DPS through FAS.
- Grant RFP and/or a grant program manual or grant program guidelines.
- Grant application. The cover page, work plan, budget, and any supporting documentation established by the grant application. The final grant plan will be negotiated with ECN through the grant coordinator and applicable evaluation group and is referenced in the grant agreement. Grantees are obligated to use grant funds to carry out approved work plan items unless budget revisions or amendments to the original application are approved. See [SECTION 4.1](#) on typical elements included in a grant application.

In the event that there is a change to the any element of the grant agreement through the performance period of a grant, ECN will notify grantees in writing of the change. If it is a material change to either the grant contract or terms and conditions, ECN is required to amend the grant contract to document these

²⁰ OGM Policy 08-04, “Policy on the Use of Grant Contract Agreements and Grant Award Notification” (PDF). https://mn.gov/admin/assets/08-04%20Policy%20on%20Grant%20Contract%20Agreement%20and%20Grant%20Award%20Notice%20FY21_tcm36-438963.pdf

changes. Other changes in requirements, such as reporting schedule or information required with reports, will be communicated to the grantee via a written memorandum or an addenda to the grant RFP and/or grant application. In all cases, the nature of the change and the effective date is provided in writing to ensure compliance. Grantees are encouraged to carefully read the grant agreement and attachments, as well as any modifying memoranda or addenda provided by ECN. Referring to these materials over the life of a grant ensure an understanding of the conditions that must be met to successfully manage a grant-funded project.

5.1.1. *Grant Agreement Processing*

In order to complete a grant agreement and authorize the expenditure of grant funds, grantees and ECN must complete the following steps:

- Grantees must register as a vendor in the Statewide Integrated Financial Tracking System (SWIFT) in order to receive payments from ECN. [SWIFT Vendor Registration information is available on the SWIFT website.](#)
- Grantees must register in [E-grants](#). See [SECTION 4.2.1.5](#).
- Grantees must transfer any grant requirements or guidance documents, such as the grant RFP, contract, and terms and conditions to any intended sub-awardees and collect signed agreements to these requirements (if applicable).
- ECN must complete and document:
 - Pre Award Risk Assessment (see [SECTION 4.2.1.4](#)).
 - Organizational financial review.
 - Encumbrance worksheet and set up the grant purchase order in SWIFT.
 - Any additional monitoring procedures on the grantee that may be required as a result of the above processes.
- Grantees, ECN and FAS must execute the grant agreement.

Grant activities and related expenditures may not begin until the agreed upon start date of the grant (either the effective date included in the grant contract or the execution date of the grant agreement, whichever is later) and may not continue after the grant period has expired. For requests to modify the effective date of a grant, the overall budget amount or the scope of work, see [SECTION 6.1](#).

5.2. *Authorized Signers and Authorized Representatives*

Prior to entering in to a grant agreement, grantees must establish their authorized signers or authorized representatives that will be key contact persons in administering the grant. Documentation of an individual's authority to sign is required, and differs depending on the grantee's agency type.

5.2.1. *Authorized Signers*

Only individuals who are authorized by the granting organization, agency or jurisdiction may sign the grant application, grant agreement or any grant amendments. Signatory authorization is delegated as follows:

- Cities and counties. State law defines who is authorized to sign contracts, including Grant Agreements, on behalf of cities, counties and the agencies and departments within. These individuals are:
 - Statutory Cities: Mayor and City Clerk.

- Charter Rule Cities: As defined in the charter.
- Counties: Board Chairperson (as attested to by the Clerk of the County Board). If cities or counties wish to designate other officials or employees to sign the grant agreement, they must pass a council or board resolution to do so and a copy of the resolution must be submitted along with the signed grant agreement.
- State agencies. Agency Commissioners designate authorized signers for each state agency.
- Nonprofit organizations and private entities. Organizational bylaws and official company policy typically detail the officers or employees that are authorized to sign contracts. If not specified in the bylaws or policy, or if the organization wishes to designate other officials or employees to sign the grant agreement, a board resolution is required. Nonprofit organizations are required to submit their bylaws or a board resolution along with the signed grant agreement to verify who has signature authority.
- Tribal Governments. Tribal law designates authorized signers for each tribal government.

5.2.2. *Authorized Representatives*

The grant agreement must identify an individual from the grantee organization as the Authorized Representative for the grant program. This individual does not need to be the same person authorized to sign the grant agreement. The Authorized Representative is the primary contact for the program and is responsible for adherence to the requirements of the grant agreement. If the grantee's Authorized Representative changes at any time during the grant period, the grantee must immediately notify the ECN grant coordinator and update their contact information in E-Grants.

5.3. *Financial Management*

Grantees are responsible for spending public funds in accordance with the public trust and Congressional and legislative intent. The grantee must establish and maintain accounting systems and financial records that accurately account for all grant funds, the total cost of the program or project being funded, the amount or portion of program costs supported by other sources and any other records required to document the goods and/or services purchased for the funded program.

Grantees are responsible for promptly reporting circumstances surrounding any financial irregularities discovered or suspected. Failure to report known irregularities may result in termination of the grant contract and/or other action on the part of ECN and/or the State of Minnesota.

Fiscal control and accounting procedures must be sufficient to prepare required reports and allow for the tracking of funds that ensures funds have been used according to applicable laws, rules and regulations. Financial management systems must therefore meet the following standards (based on Uniform Administrative Requirements, 2 CFR Section 200.302²¹):

- Financial reporting. Accurate, current, complete and compliant with all financial reporting requirements of the grant.
- Accounting records. Grantees must maintain records which adequately identify the source and use of funds for grant-funded activities. Records must contain information about the grant award and authorizations, obligations, unobligated balances, assets, expenditures, income, interest and be supported by source documentation.

²¹ 2 CFR, Subtitle A, Chapter II, Part 200, Subpart D, Section 200.302 "Financial Management".
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.302>

- Source documentation. The grant management system should require grantees to support all accounting records with source documentation (cancelled checks, paid bills, payroll records, time and attendance records, contracts, etc.). See [SECTION 7.2.2](#) regarding source documentation for grant expenditures.
- Internal control. Effective control over and accountability for all funds, property and other assets. Grantees must adequately safeguard all assets and assure that they are used solely for authorized purposes.
- Budget control. Actual expenditures must be compared with budgeted amounts.
- Allowable cost. Agency program regulations, the terms of grant contracts, the grant RFP, and the Uniform Administrative Requirements Subpart E, Cost Principles, will be followed in determining whether costs are allowable.
- Commingling of funds. Federal and state agencies do not require physical segregation of cash deposits. However, funds specifically budgeted and/or received for one project may not be used to support another. Accounting systems must be able to completely and accurately account for grant award funds separately.
- Management objectives. Accounting staff often view their role only as ensuring conformance with grant requirements. However, it is important to remember that grant management staff needs accurate and timely financial information to assist in planning, monitoring and evaluating the program for efficient and effective operation.
- Accounting basis. Cash basis and accrual basis are the two accounting methods for recording financial operations. Grantees must be consistent and cannot switch between cash and accrual during the contract period.
 - Cash basis. Recognizes income when cash is received and expenses are recorded when cash is paid.
 - Accrual basis. Recognizes income when money is earned and expenses are recognized when expenses are incurred.
- Cash basis accounting at grant end. Grantees that use cash basis accounting are able to claim expenses incurred prior to the end of the contract period, but not yet paid until after the end date in a manner similar to agencies which use accrual basis accounting. The grantee must be able to prove that the expense was incurred and obligation created prior to the end of the contract. Acceptable documentation would be written invoices, work orders, etc. which show the actual date that the expense was incurred.

5.4. Additional Certifications

Authorized Representatives must certify that they have read and understood all grant documents, including the grant RFP, the grant contract and terms and conditions, and any required grant guidance documents prior to signing the grant agreement. If the grantee is administering sub-awards under their grant, they must also provide certification that they have provided these documents to their sub-awardees and that they have completed a risk assessment of sub-award entities prior to transferring funds (see [SECTION 3.6](#)).

Additional certifications may be required for federal grants. Information regarding compliance with federal rules, certifications and regulations in the case that ECN administers federally-funded grant programs will be provided with the grant RFP. If there are additional certifications required by the grant

program, beyond those standard in State of Minnesota grants or federal grant programs, those requirements will be included in the grant RFP

5.5. Fraud, Waste and Abuse of Grant Funds

OGM details the procedures for reporting agencies violating statewide grant governance policies and in reporting fraud, waste and abuse in the grants process in Policy 08-05²² Grantees should report any allegations of fraud, waste or abuse regarding grant funds from both federal and state sources to the [Office of the Inspector General \(OIG\) Fraud Hotline](#) or 1-800-424-5454. Grantees or other parties may also report allegations of wrongdoing regarding State of Minnesota grants to the [Office of Grants Management](#) or to the [Office of the Legislative Auditor](#).

²² OGM Policy 08-05, “Policy on Public Comments Concerning Fraud and Waste in State Grants” (PDF). https://mn.gov/admin/assets/grants_policy_08-05_tcm36-207112.pdf

6. Program Operations

The grantee may find that during the duration of their grant they may need to modify their application, work plan(s) or the amount of funding available to sustain grant-funded activities. This section outlines the procedures for modifying and managing grant funds throughout the grant's active period.

6.1. Program Modifications

Grantees are obligated to carry out the activities in the approved work plan. However, it may become necessary to modify the work plan as grant-funded projects are underway. Unsuccessful strategies should not be continued. Grantees should discuss any challenges or barriers with the ECN grant coordinator and applicable ECN program managers prior to proceeding with modifying the grant agreement. Significant changes from the originally-approved proposal are required to be returned to the Grant Review Panel, for review and approval. Uniform Administrative Guidance, Chapter 2 CFR Section 200.308²³ provides instruction for revising federal budgets and program plans.

All requests to either revise the budget or amend a grant must be made to the ECN grants coordinator and approved before incurring expenses that gave rise to the modification request.

6.1.1. Budget Revisions

If the originally approved budget and the individual line items contained in the approved budget are not meeting grantee needs, grantees may request a budget revision. Budget revisions are required in order to:

- Create a new line item.
- Exceed an existing line item by 10% (or \$200, whichever is higher).
- Reallocate funds from one existing line item to another line item.
- Significantly revise the work plan detail within a line item.

Depending on the source of funds, budget revisions may require the approval of other advisory entities established by the grant. These requirements and the approval process will be provided in the grant RFP.

Budget revision requests must be submitted in writing to the ECN grant coordinator for review and either approval or for distribution to decision-making entities. Revision requests must be made at least 30 days in advance of the end date of the grant. Requests made within the last 30 days of the grant period will be considered on a case by case basis. Grantees may not accrue expenditures against a modified budget item until the modification is approved. Expenditures made prior to the completion of the budget revision may not be reimbursed.

6.1.2. Grant Amendments

Grant amendments can be made to grants provided that the grantee initiates a request for an amendment prior to the end date of the grant. Changes requiring an amendment constitute "material" changes and require new authorized signatures in order to be adopted as outlined in OGM policy 08-12²⁴. Grant amendments can be time extensions, an increase or decrease in overall grant funds or a

²³ 2 CFR Subtitle A, Chapter II, Part 200, Subpart D, Section 200.308 "Revision of budget and program plans".
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-ii/part-200/subpart-D/section-200.308>

²⁴ OGM Policy 08-12 "Policy on Grant Amendments" (PDF).

https://mn.gov/admin/assets/08%2012%20Policy%20on%20Grant%20Amendment%20FY21_tcm36-438961.pdf

significant change to the scope of the grant. Grant amendments must be coordinated through the ECN grant coordinator. In some cases amendments must also be pre-approved by other administering agencies established by the grant. Any additional approval requirements and the process for reviewing and approving grant contract agreement amendments will be provided in the grant RFP

An amendment to a grant agreement is required for the following operations:

- Extension requests. The grantee wants to extend the end date of a grant period beyond the original grant agreement effective date. Depending on the source of the funds, an extension may not be allowable.
- Increase or decrease in overall grant funds. Grantees should refer to the grant RFP to determine the allowable use of additional funding, if needed, and should discuss the proposal with the ECN grant coordinator before proceeding. The ECN grant coordinator will determine whether additional funds are available and if any administrative entities other than ECN need to provide written approval prior to initiating the amendment.
- Significant scope changes. When a grant application and work plan are approved, the grantee is expected to adhere to the plan outlined in their application. In some cases, significant changes such as the cancellation of a project, the loss of match funding sources or the inability of the grantee to complete a project as approved may occur. The grantee should discuss with the ECN grant coordinator to determine whether these changes require a budget revision or an amendment. In some cases, additional input from other grant advisory committees, or FAS may be required.

In all cases, in order to initiate an amendment the grantee must submit a written request to the ECN grant coordinator stating the need for an amendment and indicating the change in contract that the amendment would allow. Amendment requests must be submitted at least 60 days before the end date of the grant. Any expenditures approved by the amendment may not be made until the amendment is fully executed. Retroactive amendments cannot be approved.

6.2. Grant Monitoring

Grant monitoring refers to both an overall system of reviewing and tracking federal and state funds and day-to-day review processes to ensure grantees are in compliance with federal and state requirements and are meeting the grant program goals. Monitoring activities for State of Minnesota grants are outlined in OGM Policy 08-10²⁵

Types of day-to-day monitoring processes include:

- Financial status report (FSR) review.
- Quarterly progress report review.
- Technical assistance.
- Actions identified in the Pre-Award Risk Assessment (see [SECTION 4.2.1.4](#)).
- Telephone contacts.
- Site visits (programmatic or financial), on site or via telephone.

²⁵ OGM Policy 08-10, "Policy on Grant Monitoring" (PDF). https://mn.gov/admin/assets/grants_policy_08-10_tcm36-207117.pdf

- Financial desk review, to ensure that adequate source documentation exists for the expenses claimed and that expenses claimed are allowable.

As determined by the Pre-Award Risk Assessment and throughout the lifetime of the grant, additional monitoring activities may need to take place. Intensive monitoring during the grant period includes but is not limited to additional site visits or source documentation required with every FSR. Issues that could trigger increased monitoring include:

- Untimely submission of progress and/or financial reports.
- Change in staff.
- Expenditures in unauthorized budget categories.
- Spending rate too fast/too slow.
- Issues are found with desk review.
- History of unsatisfactory performance.
- Management system does not meet standards described in [SECTION 6.4](#).
- Discrepancies between narratives and financial reports.
- Delay in program start-up.
- Unresponsiveness to requests for information.
- Allegations of misuse of funds.
- Audit exceptions requiring follow-up.

6.2.1. *Program Reporting*

All state grant programs are required to maintain a regular reporting schedule to assess program progress and achievement of grant milestones per OGM Policy 08-09²⁶. DPS upholds this policy and provides additional approval procedures in DPS Policy 3013 “Grant Management Policy”. Grantees are required to submit timely and complete progress reports.. ECN gathers information for these reports from grantees’ narrative and statistical progress reports.

Progress reports also provide:

- A basis for monitoring discussions with the ECN grant coordinator.
- Information sufficient for reporting on the progress of state grant programs to the Minnesota State Legislature or the federal government, as applicable.
- Detail on the progress grantees have made on achieving the program goals and objectives in the work plan.
- Information on the successes and challenges grantees are experiencing.

Grantees must submit reports on time. Payments will not be made on grants with past-due progress reports. Grants may be suspended if required reports are not provided in a timely manner. Due dates are listed in the grant RFP and are included in the grant contract agreement.

²⁶ OGM Policy 08-09, “Policy on Grant Progress Reports” (PDF). https://mn.gov/admin/assets/grants_policy_08-09_tcm36-207116.pdf

Depending on the type of grant awarded and its source of funds, other specialized reports may be required of the grantee. Those specific reports will be identified in the grant agreement and grant RFP and will be provided in advance to the grantee for monitoring and documentation purposes.

6.2.2. *Audit Requirements*

For grants funded with federal funds, Uniform Administrative Requirements, Chapter 2, CFR Section 200.501²⁷ states that non-federal entities that expend \$750,000 or more during their fiscal year in federal award funds must submit a Single Audit to the Federal Audit Clearinghouse within 30 days after receipt of the audit report or 9 months after the end of the audit period.

For grants funded with state funds, 2023 Minnesota Statutes Section 309.53²⁸ states that charitable organizations which have received total revenue in excess of \$750,000 for the 12 months of operation covered by the statement must have an audited financial statement prepared in accordance with generally accepted accounting principles that has been examined by an independent certified public accountant for the purpose of expressing an opinion. A copy of the audit should be submitted to ECN.

The stipulations for audit requirements for all other grantees receiving state-funded grants are included in the grant agreement. Grantees are also required to submit financial records as part of their Pre-Award Risk Assessment, as outlined in [SECTION 4.2.1.4](#). Grantees who sub-award funds must require sub-awards and other participating recipients to follow the same audit guidelines applicable to the grantee.

6.2.3. *Quarterly Reporting Requirements*

Grantees are required to report on the performance and progress of grant activities on a quarterly basis at minimum. Forms are provided in E-Grants and must be completed to support the quarterly reimbursement request. Grantees should refer to their grant RFP for progress report due dates. Reporting must be up-to-date for a reimbursement request to be processed. If there was no grant activity in a quarter, that inactivity should be noted in the progress report

6.2.4. *Site Visits*

Over the course of a grant contract agreement, a site visit may be conducted to determine compliance and progress toward grant goals. Site visits may be conducted in person (on-site) or via telephone or video conference (off-site). A report detailing the site visit, observations, items reviewed, discussions, identified needs, etc., will be completed by ECN within 30 days of the site visit, provided to the grantee, and kept in the grant file.

6.3. *Program Income*

Program-related income is defined as income earned by the grantee during the grant period as a direct result of grant program activities. Records of the receipt and disbursement of program-related income must be maintained by the grantee and is separate from financial status reporting.

Program income:

²⁷ 2 CFR, Subtitle A, Chapter II, Part 200, Subpart F, Audits, Section 200.501 “Audit Requirements”.
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F/subject-group-ECFRfd0932e473d10ba/section-200.501>

²⁸ 2023 Minnesota Statutes Section 309.53 “Annual Report” Subdivision 3 “Financial statement requirements”.
<https://www.revisor.mn.gov/statutes/cite/309.53>

- Must be added to the funds committed in the grant agreement and may be used as matching funds.
- Must be used for the same purposes as the grant for allowable program costs.
- Can be used as earned to expand the project, continue the project or obtain equipment or other assets needed for the project.

Common examples of program income include, but are not exclusive to, training registration or membership fees and income earned from grant-related products and services.

Federally funded projects that earn program income will need to complete a separate program income reporting form on a regular basis along with the submission of the FSR Form. If the grant project does not generate program income or is solely funded by state dollars, this additional reporting may not be required. Contact the ECN grant coordinator to discuss whether program income reporting will be required for the grant.

6.4. Cash Management

Grantees are encouraged to follow the following standards when it comes to managing grant funds.

- Petty cash. Petty cash funds should not be used unless a project requires small items which require immediate payment by cash. If a petty cash fund is maintained follow these guidelines:
 - The maximum amount should not exceed \$200.
 - Invoices/vouchers must be on file to support cash disbursed from the petty cash fund.
 - At all times, the amount of cash on hand plus invoices/vouchers paid out must equal the pre-established level of the petty cash fund.
 - Access to the actual fund and the records of the fund should be limited to authorized staff.
 - An independent party should reconcile the account on a random, but regular basis.
- Cash depositories. Grantees should deposit funds in a bank with FDIC coverage and follow these guidelines:
 - Funds received should be recorded in the journal on the date received.
 - Funds should be deposited as quickly as possible to ensure adequate control and safekeeping - normally within one business day of receipt.
 - Receipts should be deposited intact to ensure an audit trail exists from the original receipt to the amount deposited with the bank.
- Checking account. A checking account should be maintained for the purpose of paying all bills. While physical separation of funds from grant sources is not required, the grantee should establish such an account to facilitate control and monitoring and follow these guidelines:
 - The bank must have on file all signatures of persons authorized to sign checks.
 - Checks are not to be made payable to "CASH."
 - Checking accounts must be reconciled monthly by an individual not involved with preparing, approving or signing checks.
 - All canceled checks and bank statements must be retained for documentation and audit purposes.
 - All voided checks must be retained with the signature portion mutilated and "VOID" marked clearly on the face of the check.
- Cash controls. The grantee should maintain a cash receipts journal.

In accordance with federal administrative requirements for government and non-governmental entities, grantees are encouraged to use minority banks (banks which are owned at least 50% by minority group members). A list of minority-owned banks may be obtained from the federal [Minority Business Development Agency](#).

6.5. Compliance Requirements

Failure to comply with any grant award requirements outlined and specified in this manual or the signed grant agreement may result in cancellation of the grant. Entities with the right to suspend or terminate the grant agreement are the parties identified in the grant agreement or those included in the grant terms and conditions. Factors that may be considered in a suspension or termination of a grant award include, but are not limited to:

- Failure of the grantee to satisfactorily meet the requirements of the grant agreement.
- Late or incomplete reports.
- Use of the grant for non-allowable items or other inappropriate use of funds.
- Inappropriate grant management practices.
- Breach of the grant contract agreement or terms and conditions.

In the event of the suspension or termination of a grant or a sub-grant award, written notification of the decision for suspension or termination will be issued to the grantee by ECN. This notice will contain instructions for completing final progress reports, financial status reports, and for any other administrative requirements for the grantee or impacted sub-awards to complete to terminate or suspend the grant.

7. Grant Payments

Grant payments are on a reimbursement basis only and will only be paid for costs actually paid/obligated during the reporting time period. Grant payments will not be issued until funds are encumbered and the grant contract agreement is fully executed. State policies on grant payments are provided in OGM Policy 08-08²⁹. Exceptions to this policy must be reviewed on a case-by-case basis and pre-approved by the ECN grant coordinator, ECN director, and any other signatories to the future grant agreement in the form of a 16A.15-16C.05 Violation Form³⁰.

Project costs charged to the grant award must be in the grantee's approved budget and be:

- Allowable. Permitted as a direct cost under the terms of the grant. See **SECTIONS 3.4 AND 3.5** for costs generally allowable and unallowable. Additional information on the allowability of specific costs is provided in the grant RFP and grant agreement.
- Allocable. Costs can be allocated to the grant to the extent that they support grant funded activities. See **SECTION 3.1** on cost allocation.
- Actual. Only actual expenses may be charged to the grant. Charges cannot be based upon budgeted or estimated amounts.
- Reasonable. A cost is considered reasonable if the nature of and the price paid for the goods or services reflects the action that a practical person would have taken given the circumstances. In determining the reasonableness of a particular cost, the following criteria will be considered:
 - Accordance with generally accepted accounting principles and business practices.
 - Whether it can be considered an “arm’s length” transaction, wherein two or more unrelated and unaffiliated parties agree to do business, acting independently and in their self-interest.
 - Consistent with established practices of the grantee.
 - Consistent with market prices for comparable goods or services in the area.
 - Necessary to achieve the outcomes established for the program.
- Within the period of the grant award. Only costs/obligations for activities that occur within the approved award period may be reimbursed by the grant. No prepayments for costs after the award period are allowable. Charges where a portion of the charge is not within the period of the grant award will need to be prorated to only those costs which occurred during the period of the grant.

7.1. Conformance to Budget

Grant funds must be spent according to the grantee's approved line item budget. Expenditures must be assigned to the correct line item, i.e., an “office expense” cannot be labeled as a “program expense” because the budget has been exceeded for office expenses and underspent on the program expense budget. Minor changes to a grant budget do not require prior approval. Grantees are allowed to spend up to 10% (or \$200, whichever is higher) of any budget line item without requesting a budget revision or amendment, provided the overall grant budget is not exceeded. To claim expenditures above the

²⁹ OGM Policy 08-08, “Policy on Grant Payments” (PDF). https://mn.gov/admin/assets/08-08%20Policy%20on%20Grant%20Payments%20FY21%20_tcm36-438962.pdf

³⁰ 2023 Minnesota Statutes, Section 16A.15 Accounting System; Allotment and Encumbrance. <https://www.revisor.mn.gov/statutes/cite/16A.15>

approved budget amount in one line item will require that an offsetting line item not be reimbursed in full. In no event will the grantee be paid in excess of the total grant amount authorized. See [SECTION 6.1](#) for information on budget revisions and grant contract amendments.

In the event that additional reporting is required to confirm that a transaction conforms to the budget, those additional reports and requirements will be detailed in the grant RFP.

7.2. Financial Status Reporting

Grantees use the online E-Grants system to report expenditures and request reimbursement using a Financial Status Report (FSR). Documentation of expenses must be submitted at the time the grantee submits their financial report. In the case of cash flow concerns, financial reporting problems, routine desk reviews or other circumstances, additional documentation may be required. For assistance with using the E-Grants system, user guides are included within the 'help' sections of E-Grants and grantees are encouraged to contact the ECN grant coordinator with questions.

FSRs must be submitted to ECN at a minimum on a quarterly basis. FSRs may be submitted with a frequency of up to weekly provided the submission schedule is coordinated with ECN's grant coordinator. Quarterly financial reports should be submitted using standard calendar year quarters (January 1 through March 31, April 1 through June 30, etc.). Due dates may vary in individual grant programs. In that case, the reporting timeline and requirements will be listed in the grant RFP and the grant agreement if they are different from this schedule.

If quarterly progress reports or other grant requirements (such as civil rights certifications) are overdue, payments will be suspended until the required reports are submitted.

The final FSR must be submitted within 30 days of the grant end date. The final FSR should reflect actual expenditures and obligations through the end date of the grant period. Grant funds may not be used for goods or services received after the end date of the grant period or where the value will extend beyond the grant contract end date (e.g. prepaid insurance or leases). Grantees or their sub-awards should not order goods or services that will not be received prior to the end date of the grant.

7.2.1. Grant Expenditure Documentation

In order to process an FSR and make a payment to a grantee, ECN must have clear records indicating the specific costs that are being submitted for reimbursement. For that reason, grantees must be detailed when completing the FSR forms in E-Grants and must submit proof of payment and source documentation for every expense included. FSRs that are vague, unclear or are not accompanied by adequate proof of payment and source documentation will be returned to the grantee for additional information and payments will be withheld.

7.2.2. Source Documentation

Source documentation must be provided for every expense included in an FSR. Source documentation can be in the form of a vendor's invoice that is dated and includes a list of itemized charges or, for personnel expenses, a payroll report or a timesheet and breakdown of reimbursable hours and hourly rate of pay (including benefits and overtime pay, where applicable). It is the responsibility of the grantee to clearly demonstrate how the source documentation aligns with the expenses included on the FSR.

The following sections outline the types of source documentation that must be submitted with an FSR for it to be considered complete. In some cases, further federal or state requirements may stipulate

additional financial reporting information required for the grant – these requirements will be outlined in the grant RFP and will be incorporated in to the grant agreement.

7.2.2.1. Vendor/Contractor Source Documentation

Wherein a grantee hires a vendor or contractor to complete a service, a copy of the original invoice should be submitted with the FSR. The invoice should clearly show the following:

- Expenses occurred during the grant period. The invoice should be dated during the grant performance period and demonstrate that services rendered occurred after the grant agreement was executed.
 - In some cases, the vendor/contractor may need to prorate expenses in order to document work that was completed only during the active grant period.
- Contain only grant-funded expenditures. Grantees should work with vendors/contractors to separately invoice costs that should be charged to the grant. In some cases, a grant-funded project may supplement existing agreements. If multiple projects are funded on one invoice, the grantee should provide clear documentation indicating which lines of the invoice are applicable to the grant and provide any backup, in the form of agreements with the vendor/contractor, that the services rendered are intended for the grant.
- Payment information. ECN will only reimburse for actual expenditures paid for by the grantee. Some documentation should be provided showing that the invoice has been paid by the grantee. Grantees with sub-awards are required to demonstrate that both the sub-award has paid for the cost and that the grantee has reimbursed the sub-award for that cost prior to submitting an FSR.

7.2.2.2. Payroll/Personnel Records Source Documentation

Grantees must comply with all U.S. Wage and Hour Rules regarding the earning and payment of overtime by employees. The state will not participate in any monetary settlements, judgments or claims levied against a funding recipient due to noncompliance with laws, rules or regulations governing employer/employee payments. Information is available from the [U.S. Department of Labor Employment Standards Administration Wage and Hour Division](#).

Grantees must have written personnel policies and written policies which govern payroll functions. At a minimum, personnel policies should address the following:

- Hiring procedures.
- New employee orientation.
- Work schedules.
- Compensation.
- Timekeeping and leaves.
- Benefits.
- Worker's compensation.
- Performance appraisal.
- Data privacy.
- Separation from employment.
- Complaint and grievance procedures.

For all grants funded with state funds and/or federal funds, the following information must be provided:

- Timesheets or time tracking records:
 - Timesheets. A written or electronic timekeeping record of an employee's daily hours worked and paid time off (PTO, such a holiday and sick/vacation time.) This record is submitted to finance personnel to generate paychecks. Recommended timesheet procedures for grant records include:
 - Employees paid with grant funds maintain timesheets.
 - Timesheets must indicate days and hours worked on the program.
 - Timesheets must be signed and dated by employee.
 - Timesheets must be signed and dated as approved by supervisor on or before date of payment.
 - Time tracking record. A written or electronic record that details the hours worked for each funding source each day. Time tracking (also known as time and effort) procedures for grant records include:
 - Employees maintain daily records of time worked for each funding source (federal, state, match, other, paid time off, etc.) for each timesheet.
 - If electronic timesheet systems allow for this detailed tracking, then a separate record is not needed.
 - Must be signed and dated by employee and supervisor at the same time as the timesheet.
- Job descriptions. Signed and dated job descriptions that accurately reflect the functions and activities performed by the employee must be kept on file.
- Rate of pay. Employee files must indicate the approved current rate of pay.
- Executive Director. A Board of Directors member must review, sign and date the Executive Director's timesheet and time tracking (when needed) records.
- Paid Time Off (PTO). Records must be maintained to track all paid time off balances, such as sick, vacation, etc. PTO costs should be charged proportionate to the salary costs and based on time tracking (when needed) of that pay period. Employees should have access to their PTO balances without needing to ask someone.

Payroll taxes (FICA, Unemployment, and Worker's Compensation) and fringe benefits (health, dental, life, etc.) should be allocated in the same manner as salaries and wages.

While it is allowable to use a percentage estimate in initial budget calculations, only real expenses can be charged to the grant – not percentages. Requests for reimbursement must provide adequate documentation of actual labor costs based on either time sheets or time tracking records in order to be reimbursed for labor costs. Requests missing documentation will not be approved.

Grantees and their sub-awards can refer to [SECTION 3.4.1](#) regarding allowable expense rules for employees or other sources of labor. Volunteers, interns and stipends may also be a valuable resource in the completion of grant-funded projects and are allowed under some grant programs. Grantees are encouraged to get pre-approval for these kinds of expenses and should work with the ECN grant coordinator to determine the documentation required.

7.2.3. *Proof of Payment*

Because ECN administers reimbursement-based grants, proof of payment in the form of a copy of the front and back of a cancelled check or a clear and accurate expenditure report from a grantee's financial system must be submitted for every expense in an FSR. The proof of payment document should include dollar amounts, dates, vendor names and/or invoice numbers that match the information included in the FSR and the source documentation.

When an employee's personal credit card is used to make a purchase, a copy of that individual's credit card statement showing the purchase as well as proof that the grantee agency reimbursed the individual for the charge must both be submitted as proof of payment. When a business credit card is used to make a purchase, a copy of the credit card statement showing the purchase as well as proof that the grantee agency paid an amount equal to or greater than this expense against the credit card balance must be provided as proof of payment.

ECN will not reimburse for expenditures without source documentation and proof of payment. Questions about acceptable proof of payment documents should be discussed with the ECN grants coordinator. Grantees may request documentation review from the ECN grants coordinator prior to submitting an FSR to ensure that the documentation meets the requirements of the grant. This review does not substitute the submission of these documents in the E-Grants system and no payment will be made until the E-Grants submission and approval process is complete.

7.3. *Payment Status*

After an FSR is approved in E-Grants, grantees can verify that payment has been made by looking in the [Statewide Integrated Financial Tracking System](#) (SWIFT). Payment processing timelines can vary depending on the grant program. If there are irregularities in the SWIFT and/or E-Grants reports, grantees may reach out to the ECN grants coordinator.

8. Grant Closeout

ECN is obligated to share grant closeout evaluation and grantee past performance with other state agencies. Grant closeout evaluation is public per 2023 Minnesota Statutes Section 13.599.³¹

Within 30 days of the grant end date, grantees must submit the following documents:

- Final Progress Report.
- Final FSR.
- Possible Repayment. In rare cases, the grantee may have received more funds than the amount of expenditures and obligations. The difference must be repaid to the State of Minnesota. In such an event, grantees should contact the ECN grant coordinator. If the grantee does not meet the match obligation by the end of the grant they will be asked to repay a proportional amount.
- Reports. If, after the closeout of the grant, the grantee obtains a project evaluation, program publicity, or publishes any materials related to the project, the grantee should send a copy of these documents to the ECN grant coordinator for inclusion in the grant file.

In accordance with OGM policy 08-13³² a Grant Closeout Evaluation form will be completed by ECN that includes the amount of the grant, the amount spent, match requirement and whether it was met, Pre-Award Risk Assessments completed for sub-grantees/sub-awards (See Appendix B for a Sample Pre-Award Risk Assessment (Grantees) and Appendix C for a Sample Pre-Award Risk Assessment (Sub-Awards)), and lists any monitoring or financial issues cited or concerns for future grants with the agency. Grantees may request to see a copy of this evaluation to be provided by ECN.

8.1. Administrative Closeout Requirements

All expenditures must be incurred by the grantee before the close of the grant period. Final requests for reimbursement must be received by ECN by their due date; grantees should reference the grant agreement for any specific information regarding the submission of the final reimbursement request. Once the final reimbursement request has been processed, the ECN grant coordinator will follow an internal process to close out the grant. No further action is needed from the grantee to execute close-out. The close-out of a grant does not affect ECN's right to disallow costs and recover funds based on a later audit or monitoring review.

8.2. Unspent Funds

If a grantee is not able to expend all of the funds awarded by the end of the grant period, the remainder will be deobligated from the grant agreement and no longer available to the grantee.

8.3. Grant File Requirements

It is important that all grantees maintain a complete file for each grant. In the event of an audit, this grant file should allow auditors a holistic understanding of the status of the grant and provide documentation of each transaction, any issues that have arisen and the general nature of the program. Records can be electronic or paper, so long as they are readable and safeguards are in place to protect against unintended alterations. Every grant file should include:

³¹ 2023 Minnesota Statutes Section 13.599 "Grants". <https://www.revisor.mn.gov/statutes/cite/13.599>

³² OGM Policy 08-13, "Policy on Grant Closeout Evaluation" (PDF). https://mn.gov/admin/assets/grants_policy_08-13_tcm36-207120.pdf

- A signed grant agreement (original or copy).
- A project narrative (or work plan) and detailed budget.
- Quarterly narrative progress reports.
- FSRs with all supporting documentation.
- Correspondence with ECN or others regarding this grant.
- In certain situations, the following items must also be retained in the grant file:
 - Signatory authority from the grantee (if the grant agreement is not signed by an authorized signer).
 - Signed grant agreement amendment(s) (if applicable).
 - Procurement information, including bids and/or sole-source justification for purchases made with the grant.
 - Job descriptions of those whose labor is reimbursed by the grant.
 - Payroll reports or timesheets and a breakdown of reimbursable hours and hourly rate of pay including benefits and overtime pay, where applicable.
 - Leases or contracts.
 - Grantee travel reimbursement policy (if travel expenses such as meals, per diem or mileage are reimbursed with grant funds).
 - Approved Grant Special Expense Pre-Authorization Forms for any food, beverage, meeting, travel or other special expenses.

If the grantee chooses to sub-award their grant, then a complete file should be kept for each sub-award. Grantees are obligated to manage their sub-award documentation in a way that is consistent with the documentation that must be kept documenting the original grant agreement. In addition to the list of documents provided above, grantees should also collect and maintain sub-award documentation influencing the grant, including the following:

- Pre-award risk assessment.
- Sub-award certification form.
- Sub-grant agreements or MOUs for the term of the grant (if applicable).
- Selection and award process for sub-awards, or the planning background or agreements that led to sub-award selection.
- Correspondence with the sub-awards.

8.4. Record Retention

The State of Minnesota retention requirement extends to original source documentation supporting accounting transactions, including:

- General and subsidiary ledgers and journals.
- Personnel and payroll records (including time and attendance reports).
- Time and effort reports for any consultants.
- Bank statements and canceled checks.
- Copies of all awards, applications and required grantee financial and narrative reports.
- All other records pertinent to the award.

The records of the grantee and any subcontracts or sub-awards must be retained for a period of six years after the end of the grant period. The six-year retention period starts from the date of the submission of

the closure of the single audit report which covers the grant period (if applicable) or from the day that the grantee submits its final expenditure report for the award period. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the six year period, the records must be retained until resolution of all issues which arise from it or until the end of the regular six year period, whichever is later.

Grantee records should be maintained for each award period in a manner that facilitates the easy retrieval of information required.

Records are to be made available to ECN staff, federal auditors/awarding agency personnel, the Minnesota Office of the Legislative Auditor or any other authorized agent of the state or federal government. The right of access is not limited to the required retention period, but lasts as long as the records are maintained.

APPENDIX A
ABBREVIATIONS AND GLOSSARY

Appendix A: Abbreviations and Glossary

Allocation

The amount or portion of a resource assigned to a particular recipient or initiative. Cost allocation is the process of identifying, aggregating and assigning costs by program or funding source. Cost allocation is used for financial reporting purposes to spread common costs among programs.

Allotment

A limit placed by the commissioner of a state department on the amount to be spent or encumbered during a period of time pursuant to an appropriation.

Appropriation

A sum of money or total of assets devoted to a special purpose. Appropriations are often sub-divided in to allocations. Funds may not be spent without an appropriation made by law.

Legislative Appropriation/State Appropriation/Statutory Appropriation is an authorization by law to expend or encumber an amount in the state treasury. An appropriation provides the legal authority to a state agency/department to make disbursements or incur liabilities from a specific fund for a specified purpose, period, and amount.

Code of Federal Regulations (CFR)

The Code of Federal Regulations (CFR) annual edition is the codification of the general and permanent rules published in the Federal Register by the departments and agencies of the Federal Government.

Uniform Administrative Requirements provides allowable grant expenditure guidance in CFR Chapter II, Grants and Agreements, Part 200, Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards. The Uniform Administrative Requirements can be accessed on the [National Archives Code of Federal Regulations website](#).

E-Grants

The [DPS E-Grants Platform](#) is the DPS-standard grant contract registration website to upload any award documentation and for ECN to manage and monitor the grant award.

Fiscal Years

The year as a one-year period that companies and governments use for financial reporting budgeting. Fiscal years impacting the ECN Grants Manual include:

- **Calendar Year (CY)** is the 12-month period starting on January 1 and ending on December 31.
- **Federal Fiscal Year (FFY)** for the U.S. federal government runs from October 1 to September 30 each year.
- **State Fiscal Year (SFY)** for the State of Minnesota, the State Fiscal Year is the period beginning July 1 and ending June 30. The Minnesota State budget is published on the [Minnesota Management and Budget website](#).

Biennium is the period of two consecutive fiscal years beginning in an odd-numbered calendar year and ending in the next odd-numbered calendar year. Minnesota operates on a biennial budget, meaning two fiscal years are in each biennium.

Financial Status Report (FSR)

The form generated by the grantee in E-Grants to report expenditures and request reimbursement for grant-funded activities.

Grant Agreement

A legal document (contract) that outlines the conditions of the grant including the total dollar amount, match requirement (where applicable), grant period start and end dates, and any special conditions.

Grant Award Notification (GAN)

Once an application has been received, evaluated, and approved for funding, grant applicants are provided with a written notification on the status of their award.

Grant Request for Proposal (Grant RFP)

Published requirements that grantees agree to when applying to the grant program and which outline the goals and limitations of that particular grant program.

Grant Structure

When appropriating funds for grants, the state and/or federal governing body must identify the structure that will be used to determine the recipients of the grant. Common structures include:

- **Competitive Grants** are used when a number of grantees may meet a grant's intended purpose. Grantees must apply to the grant, be evaluated based on merit, risk, and metrics of success, and applications weighted and scored in order to determine the final grantee pool and award amounts. In the State of Minnesota, grants are to be competitively awarded as much as possible.
- **Formula Grants / Legislatively Named Grants** are when the state or federal legislature determines the final recipients of a grant and the amounts that they will receive. In a formula grant, the awards are based on a formula which subdivides the overall grant to a number of recipients. These determined awards are passed on to a granting agency to complete the award and contracting process.
- **Single/Sole Source Grants** are used when only one entity is reasonably able to meet a grant's intended purpose due to geographic location, specialized knowledge and/or relationships, and/or specialized equipment. Single/sole source grants are typically, although not exclusively, legislatively named.

Grant Timeline

All grant RFPs contain an approximate timeline, indicating when activities will begin and end during the grant's funding period. The timeline is typically broken in to three main sets of activities during its lifecycle:

- **Pre-Award** is the beginning of the grant lifecycle. It consists of announcing and/or responding to opportunities, submitting and/or collecting applications, and application review and scoring. All

activities prior to recipient selection and grant contracting are considered part of the pre-award process.

- **Award** is when final award decisions are made and execution of the grant contract is in the hands of the agency with fiduciary responsibility and legal authority to enter into binding agreements. A Grant Award Notice (GAN) may be provided at this time to the selected recipients.
- **Performance Period** is the time when the work of the grant is completed, identified by the effective dates in the grant contract. The grant is to be implemented by the grantee and/or sub-awardees and reported on to the granting organization. During this time the grantee may request reimbursement on all grant-funded activities, or modify their award using the procedures outlined in this manual in order to assure that the activities funded by the grant are aligned by the approved budget and work plan.
- **Administrative Period/Closeout** occurs after the performance period ends, and is a selected period of time for the grantee to submit final reports and requests for reimbursements. Grant-funded activities may not occur during the administrative period, but the grantee or sub-awardees may complete financial documentation and reimbursement requests to the granting organization consisting of activities which did take place during the performance period. Once final documents are received, the grantor completes closeout documentation and prepares documents for record retention.

Grantee

The entity to which a grant agreement is made.

Fiscal Agent is an organization which acts on behalf of another party performing various financial duties.

Sub-Award is the entity receiving pass-through funds from a grantee and is the ultimate recipient of funds in a grant program. The sub-award is required to agree to the same terms and conditions of the grant that the grantee does, and agrees to provide reporting and oversight as required in the grant RFP. In some cases, the grantee may have agreements, such as memoranda of understanding, sub-grant agreements, or joint powers agreements beyond the sub-award relationship that determine the management and participation of sub-awardees during the grant's lifecycle.

Grantor

The entity conveying or encumbering the grant funds.

Non-Comingling

Comingling is the mixing or blending of funds within a financial accounting system so that expenditures cannot be identified to a particular grant, project or indirect activity.

Non-Supplanting

A requirement that funds must be used to supplement existing funds for program activities and not replace those funds which have been appropriated for the same purpose. To pay for something with grant funds that would otherwise be funded with local sources would be supplanting.

Notice of Funding Opportunity (NOFO) / Notice of Funding Availability (NOFA)

The means by which the federal government announces grant opportunities. At a minimum, the NOFO includes a description of the project and the entities that are eligible to apply. Federal grant and cooperative agreement opportunities are available on the [Grants.gov website](#).

Public Safety Answering Point (PSAP)

A physical or virtual entity where 911 calls are delivered by the 911 Service Provider.

Source of Funds

The origin of money used in a particular transaction. Common sources of funds relevant to ECN are:

- **Federal Funds** are monies, usually in the form of grants or cooperative agreements, which are received directly from the federal government. The expenditure of federal funds is administered through or under the direction of a federal agency/department.
- **State of Minnesota 911 Special Revenue Fund** is a statewide 911 fee that is assessed in [Minnesota Statutes Section 403.11](#) to all wireless and wire-line switched or packet-based telecommunications customers that are capable of originating a 911 call. ECN is the designated administrator of this fee for the State of Minnesota and is responsible for collecting, disbursing, and reporting on its use. Appropriations from the 911 Special Revenue Fund have specific allowable uses and conditions that do not apply to other State of Minnesota Funding Sources.
- **State of Minnesota General Fund** is the state government's largest and main operating fund. It includes collections of individual income taxes, retail sales taxes, business, and other taxes. Expenditures from the state General Fund can be made for any authorized state activity subject to state appropriation limits.

State of Minnesota Entities

A number of state agencies are referenced in the Grants Manual. Departments of specific interest to ECN grantees include:

- **Department of Management and Budget (MMB)** is the cabinet-level state agency responsible for coordinating the financial management and personnel administration processes of the State of Minnesota government. Resources are available on the [MMB website](#).
- **Department of Administration, Office of Grants Management (OGM)** works to standardize, streamline, and improve state grant-making practices, as well as to increase public information about state grant opportunities. Resources are available on the [OGM website](#).
- **Department of Public Safety (DPS)** is an enforcement, licensing, and services agency that develops and operates programs in the areas of law enforcement, traffic safety, alcohol and gambling, fire safety, driver licensing, vehicle registration, emergency management, and public safety information. The department coordinates the functions and services of the state relating to safety and convenience of its citizens. More information is available on the [DPS website](#).
- **Department of Public Safety, Division of Emergency Communication Networks (ECN)** is the division of the Department of Public Safety which oversees the statewide 911 program, Allied Radio Matrix for Emergency Response (ARMER) radio communications network, the interoperability program, Integrated Public Alert and Warning Systems (IPAWS), and a statewide wireless broadband initiative. Information is available on the [ECN website](#).

- **Department of Public Safety, Division of Fiscal and Administrative Services (FAS)** provides budgeting, general accounting, financial reporting, payroll coordination, accounts payable, purchasing coordination, grant and contract management, and administrative support services for DPS. Information is available on the [FAS website](#).

Statewide Emergency Communications Board (SECB) was established by the Minnesota legislature as the Statewide Radio Board (SRB), now known as the Statewide Emergency Communication Board (SECB). The board provides recommendations to the Commissioner of Public Safety regarding the vision, priorities and technical roadmap for establishing and sustaining interoperable emergency communication capabilities across the state. Information about the SECB and its various committees is available on the [SECB website](#).

Emergency Communications Board (ECB) / Emergency Services Board (ESB) subdivides the State of Minnesota into seven geographic regions, called ECBs or ESBs. The regional governance system facilitates communication, collaboration and cooperation among stakeholders as they work toward improving their interoperable emergency communication capabilities. Operating under a Joint Powers Agreement (JPA), each regional ECB/ESB has its own bylaws, membership criteria, organizational structure, budget and meeting schedule. Regional identification and contacts are available on the [“Regions” page of the SECB website](#).

Statewide Integrated Financial Tracking System (SWIFT)

The PeopleSoft based online financial, procurement, and reporting system used by the State of Minnesota. All grantees are considered vendors and are required to register in SWIFT in order to receive payment. SWIFT training resources and information can be accessed on the [MMB SWIFT website](#).

Use of Funds

The allowable and actual uses of funds that are approved as part of an appropriation or allocation.

Encumbrance is the commitment of a portion or all of an allotment in order to meet an obligation that is expected to be incurred to pay for goods or services received by the state or to pay for a grant. Encumbered funds are obligated towards specific expenditures and linked to fund activity in a specific State Fiscal Year but may not mean that the actual expenditures have occurred.

Expenditure is the action of spending funds or the amount of money spent. An expenditure is an actual transaction made against the encumbrance of a state budget. Expenditures cannot exceed the encumbrance or overall appropriation without action taken by the state agency to rectify the budget.

APPENDIX B
SAMPLE PRE-AWARD RISK ASSESSMENT (GRANTEES)

GRANT MANAGER INSTRUCTIONS:

- ANSWER QUESTIONS AND ENTER ONE SCORE PER QUESTION
- CLICK SAVE AND RISK SCORE WILL CALCULATE

A SCORE OF 20 OR HIGHER REQUIRES INCREASED MONITORING OF THE GRANTEE.

OJP:

IF THE RISK SCORE MEETS THIS THRESHOLD, DESCRIBE THE ADDITIONAL REQUIREMENTS (I.E. DESK REVIEW (I.E. FINANCIAL RECONCILIATION) WITH FIRST FSR, FSR SOURCE DOCUMENTATION REQUIREMENT, ETC.)

HSEM, ECN, OTS, MSP, SFM:

IN ADDITION TO FINANCIAL RECONCILIATION* WITH EVERY FSR AND REQUIRED ON-SITE/VIRTUAL MONITORING**, THERE WILL BE ADDITIONAL ON-SITE/VIRTUAL MONITORING. SPECIFY HOW MANY ADDITIONAL MONITORING VISITS.

***Financial reconciliation** involves reconciling a grantee's request for payment for a given period with supporting documentation, such as purchase orders, receipts and payroll records and occurs before final payment is made.

****On-site/Virtual Monitoring** visit involves both state granting agency staff (and/or contractors) and the grantee and must occur before final payment is made. It may be conducted on-site or virtual. The purpose of grant monitoring visits is to review and ensure progress against the grant's goals, to address any problems or issues before the end of the grant period, and to build rapport between the state agency and the grantee.

SECTION I – RECOMMENDED GRANT AWARD AMOUNT AND COMPLEXITY

Less than \$50,000 = 2

\$50,000 - \$299,000 = 4

\$300,000 - \$749,999 = 6

\$750,000 or great = 8

SECTION II – PREVIOUS PERFORMANCE AS DIVISION GRANTEE/ SUB RECIPIENT

DIVISION CHOOSE ONE OPTION:

- **OPTION 1:**
 - GO TO OJP DPS_TRACKING TEAM, FILE "GRANTEE NON-COMPLIANCE SPREADSHEET"*
 - USE SPREADSHEET TO ANSWER QUESTIONS AND ENTER SCORES
- **OPTION 2:**
 - GO TO E-GRANTS REPORTS AND RUN "GRANTEE / SUB RECIPIENT PERFORMANCE AND EXPERIENCE REPORT"
 - USE REPORT TO ANSWER QUESTIONS AND ENTER SCORES

A. Has Division has an active grant at any time in the 12 months prior to application submission?

No = 8 and skip to Organization Management Section

Yes = 0

B. How many notices of Non-Compliance* has the applicant received in the past 12 month as DPS grantee.

0-1 = 0

2-3 = 4

4+ = 8

DIVISION CHOOSE ONE OPTION:

- **OPTION 1:**
 - (H) Drive/OJP/Financial Desk Review folder
 - Enter Grantee / Sub recipient name and search to find previous desk review close-out letters that include findings

- OPTION 2:
 - GO TO E-GRANTS REPORTS AND RUN "GRANTEE / SUB RECIPIENT PERFORMANCE REPORT"
 - USE REPORT TO ANSWER QUESTIONS AND ENTER SCORES

0-1 = 0

2-3 = 4

4+ = 8

- C. Has the applicant had any desk review findings (or no desk review) or financial reconciliation findings in the past 24 months?

No = 0

Yes = 4

- D. Has DPS received any formal complaints about the applicant's services or staff in the in the past 12 months as a DPS grantee resulting in DPS requiring changes at the grantee / sub recipient level. Complaint is may be submitted on a complaint form or letter to DPS leadership.

No = 0

Yes = 4

SECTION III - ORGANIZATIONAL MANAGEMENT

TYPE OF FINANCIAL DOCUMENT SUBMITTED WITH APPLICATION:

Most recent board-reviewed **financial statement** such a Statement of Financial Position (balance sheet), or Statement of Activity (income and expense) for Grantees/sub recipients with annual income of under \$50,000 or not in existence long enough to have a completed IRS Form 990

IRS Form 990 - For grantees/sub recipients with total annual revenue of \$50,000 or more and less than \$750,000.

Most recent **certified financial audit** for grantees/sub recipient with total annual revenue of over \$750,000.

Single Audit - Grantees/sub recipient spending more than \$750,000 in federal funds in their last fiscal year.

For Single Audits, was the most recent financial audit submitted to the Federal Audit Clearinghouse (FAC)?

- a. Go to <https://facweb.census.gov/>
- b. Only Single Audits with fiscal years end ending 2016 or later are included in the FAC
- c. To search for entity, you will need organization's EIN
- d. Date Audit was Accepted:
- e. If not submitted, notify Division Grant Liaison to suspend grant payments until Audit is submitted.

FISCAL INFORMATION (From Grantee / Sub recipient Application)

- a. Accounting basis: accrual cash
 - b. Organizations fiscal year end date
 - c. Total revenue last completed fiscal year
 - d. Total federal expenditures (only from federal sources) last completed fiscal year
 - e. Financial documents are produced this often:
 - f. Nonprofits Only Most recent IRS Form 990 (upload) date of most recent 990
- Please note: nonprofits are required to upload most recent its form 990, in addition to other required documents

Allocation Plan/Method (if applicable):

Review allocation plan for compliance with grant manual. Yes/ No

FINANCIAL DOCUMENT REVIEW (From Grantee / Sub recipient Application):

Date of most recent certified financial audit:

Audit management letter: **Loaded Here**

Audit firm name

Date of most recent financial audit

Were there any audit findings?

- Significant deficiency
 - Material weaknesses
 - Audit finding that included ineligible costs or duplicate payments that needed to be repaid to a grantor
 - Same finding from the previous year's audit
 - Audit finding in federal grant from DPS
 - Management Decision Letter from DPS in previous years?
 - Specific findings
 - Audit finding that included ineligible costs or duplicate payments that needed to be re paid to a grantor
 - Audit finding in a federal grant from the department of public safety if yes, provide CFDA/ALN number of grant:
 - The same finding from the previous year's audit
- Specific findings

Corrective Action plan Questions (if applicable):

All that apply:

- Corrective action plan was submitted and fully implemented
- Corrective action plan was submitted but has not been fully implement
- Corrective action plan not submitted to auditor

Administrative systems

All that apply:

- Instance of misuse of fraud in the past 36 months
- Current or pending lawsuit against the organization
- Currently designated as a high risk grant recipient by the federal government
- Explanation provided for any of 3 statements above
- Separate account codes for different programs/ revenue sources to prevent co-mingling of funds
- Accounting system can identify and track grant program – related income and expenses separate from all other income and expenses
- Staff within organization paid by more than one source of funding keep track of time per funding source
- Has a paid bookkeeper
- Has an approval process that requires multiple approvals before funds can be expended
- Has written policies and procedures for accounting, purchasing and payroll.

- Board of directors meets at least every month
- Has a conflict of interest policy.

SECTION IV - GRANT MANAGEMENT EXPERIENCE

- Have had more than one administrative turnover in the past 12 months

All that applied :

- Monitored funding and completed reporting for nonfederal and / or only federal grants
- Monitored funding completed reporting for only non-federal grants
- Monitored funding and completed reporting for contracts but not grants
- No prior experience monitoring and reporting for contrast and/or grants

APPENDIX C

SAMPLE PRE-AWARD RISK ASSESSMENT (SUB-AWARDS)

Sub-Award Risk Assessment

This form must be completed by the Grantee for each Sub-Award to will be receiving funds in this grant program.

Grant Program: 2023-2024 SECB Grant

Grant Number: A-DECN-SECB-2023-XXXX-X

Grantee: REGION NAME/GRANTEE

Grantee Contact Completing Risk Assessment: NAME; EMAIL; PHONE

Sub-Award: COUNTY/CITY (update to entity name); TAX ID NUMBER

Sub-Award Contact: NAME; EMAIL; PHONE

Sub-Award Risk Assessment:

1. Is this the first time the grantee has partnered with the sub-awardee?
 Yes No (If yes, skip remaining questions)
2. Has the contact person changed for the sub-award agency since the last sub-award?
 Yes No
3. In the past, has financial information from the sub-awardee for the completion of Financial Status Reports been submitted more than 30 days after the end of the quarter?
 Yes No
4. In the past, has the grantee been satisfied with the timeliness of the response of the sub-awardee or the identified contact person?
 Yes No

Score	Risk Assessment	Monitoring Recommendation
0 - 1 Yeses	Applicant considered low risk	Quarterly FSR and quarterly progress report
2 Yeses	Applicant considered medium risk	Quarterly FSR, quarterly progress report, and 1 site visit during grant performance period (in-person, or via phone) with grantee, sub-awardee, and ECN
3 Yeses	Applicant considered high risk	Monthly FSR, quarterly progress report, and 1 site visit during grant performance period (in-person, or via phone) with grantee, sub-awardee, and ECN

Signature of Grantee Contact: _____

Date: _____

APPENDIX D
SAMPLE SUB-AWARD ACKNOWLEDGEMENT FORM

Sub-Award Acknowledgement

Grant Program: YEAR-PROGRAM TITLE

Grant Number: A-XXXX-XXXX-X

Grantee: REGION NAME/GRANTEE

Sub-Award Agency: COUNTY/CITY

Sub-Award Contact: NAME; EMAIL; PHONE

Sub-Award Acknowledgement:

Under the grant program stated above, I certify that I am a representative of an entity that is receiving funds from the above-listed Grantee as a Sub-Award.

I acknowledge that the following documents have been provided to me and I have read them in their entirety:

- Grant Request for Proposal
- Grant Program Guidelines
- Terms and Conditions
- OTHER DOCUMENTS AS INDICATED IN THE GRANT RFP

Signature of Sub-Award Contact: _____

Print Name: _____

Title: _____

Date: _____