



Minnesota Department of Administration Office of Grants Management

Operating Policy and Procedure

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Revised: 08/31/11, 10/11/13, 6/30/20

*Technical revision 4/12/21

Policy Number: 08-08

Policy on Grant Payments

Statutory References

[Minn. Stat. §16B.97](#)

[Minn. Stat. §16B.98](#)

Policy

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

State agencies shall specify the method and schedule of payments for each grant in the grant contract agreement or grant award notification. State agencies must also include a general timeline for grant reimbursement processes in requests for proposals (RFPs) and grant funding notices to bring greater transparency and accountability for both prospective grantees and state agencies around payment processes and timelines.

Grant payments may not be issued until the funds are encumbered and the grant contract agreement is fully executed, or the grant award notification is completed. Grantees can be retroactively reimbursed for expenses in the approved grant budget as early as the date in which the authorizing bill was passed, even if that date precedes the date in which the grant agreement was fully executed or grant award notification was completed.

There are two primary methods in which state agencies can make grant payments: advanced and reimbursement.

- Advanced payments: Under this model, grant funds are provided to the grantee before approved grant-related expenses are incurred, allowing the grantee to use those funds to carry out grant activities. These grant funds are not additional funds beyond the total grant award, but rather an early distribution of grant dollars that would otherwise be paid later through reimbursement. A standard partial advance of up to 25–33% of the total grant award, or an amount sufficient to cover the grantee’s anticipated first month of allowable costs, may be offered as a routine option at grant execution. Such advances must be reconciled against actual incurred costs on a schedule specified in the grant contract agreement. Grantees can request advance payment during the contract negotiation period. The agency will determine whether the grantee’s request is justified, under OGM guidance. Before making an advance grant payment, agencies must be confident that the grantee will be able to account for the grant funds and abide by the terms of the grant contract agreement or notice of grant award based on their past performance as a grantee of that agency and the evaluation of grantee’s recent financial statements as required by OGM Policies 08-06 and 08-13. A grantee can

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request advanced payments that correspond with the approved grant budget at least quarterly but no more than monthly. All advance payments on grants over \$50,000 must be reconciled within 12 months of issuance or within 60 days of the end of the grant period.

- Reimbursements: Grantees incur and pay for grant-related expenses using their own funds then submit documentation to the state for repayment of those approved costs. Reimbursement is the preferred method for making grant payments.

In both reconciling advanced payments or payments toward reimbursements, grantee expenses
Grantee requests for reimbursement must correspond to the line budget category items in the approved grant budget (i.e. personnel costs, indirect costs, equipment costs). Spending on each expense category within the approved grant budget can vary up to 10%, including salaries and fringe. Grantees can charge reasonable and necessary indirect/administrative costs, often at least 10-15% and/or their Federally Negotiated Indirect Cost Rate.

Payment process and procedures:

1. State agencies and grantees negotiate grant payment terms in the grant contract agreement or grant award notice, including justification for advance payment (if applicable). The terms of advance grant payments and settlements, including justification for advanced payment, must be reflected in the grant contract agreement or notice of grant award, and must be approved prior to encumbrance by the appropriate contact within the agency's financial management area. Each state agency must determine who the appropriate approver(s) is in their financial management area. A copy of the signed grant contract agreement or notice of grant award must be maintained in the grant file.

2. The grant contract agreement or grant award notice has all necessary signatures and is fully executed.

3. Once the grant contract agreement is fully executed or the grant award notice is completed, grant payments may be made.

4.4. Grantees submit requests for advance payments or reimbursements that are reviewed by state agency staff. The State's authorized representative or their successor, named in the grant contract agreement or notice of grant award, shall review each request for reimbursement payment against the approved grant budget, grant expenditures to-date and (if applicable) the latest grant progress report before approving payment. If all requirements have been met, the payment is approved and made. Grant payments shall not be made on grants with-if there is a past due progress reports, unless the state agency has given the grantee a written extension.

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

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

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~~Advance payments on grants shall be negotiated between the state agency and grantee on a case by case basis. The terms of advance grant payments and settlements must be reflected in the grant contract agreement or notice of grant award.~~

~~All advance payments on grants over \$50,000 must be reconciled within 12 months of issuance or within 60 days of the end of the grant period.~~

Timeline: State agencies shall process complete and approved grant payment requests within 30 business days of receipt of a complete invoice or payment request, unless otherwise required by statute or grant agreement. A complete payment request includes:

1. Required invoice or reimbursement documentation;
2. Required progress or financial reporting associated with the payment period;
3. Any additional documentation explicitly required in the executed grant agreement.

Agencies shall not impose additional documentation requirements beyond those stated in the executed grant agreement as a condition of payment.

For grants utilizing advance payment or scheduled payment structures, state agencies shall disburse payments according to timelines established in the executed grant agreement and no later than 15 business days after the scheduled disbursement date, provided grantee compliance requirements have been met.

Notice of Deficiency

If a payment request is incomplete or requires clarification, the state agency shall provide written notice to the grantee within 10 business days of receipt identifying:

1. The specific deficiency;
2. Required corrective action; and
3. The anticipated timeline for payment upon resolution.

The payment timeline shall pause only for the period in which requested corrective information is outstanding. Agencies shall make reasonable efforts to resolve minor administrative deficiencies without withholding the entirety of payment when substantive program performance is ongoing. Partial payments can be made while both parties work to resolve disputed costs.

Late Payment Interest

If an agency fails to issue payment within the timelines established under this section for reasons not attributable to the grantee, the grantee shall be entitled to interest on the overdue amount.

As stated in Minn. Stat §16A.124, interest shall begin accruing on the 31st calendar day following receipt of a complete payment request.

Interest shall accrue at a rate equal to 1.5% a month, calculated on a prorated daily basis. Interest shall apply only to the unpaid amount.

Interest shall not accrue when:

1. Payment delay results from incomplete or inaccurate grantee documentation;
2. Payment is delayed due to suspected fraud, misuse of funds, or formal investigation;
3. Delay results from force majeure, statewide financial system outages, or legislative appropriation interruption;

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4. Payment is disputed in good faith and documented by the agency.

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Scope of Coverage

This policy applies to grant-making at all executive branch agencies, boards, committees, councils, authorities, and task forces that make grants. This policy applies to competitive, legislatively-named, formula and single and sole source grants, but does not apply to bonding and capital grants.

Grants in which the payment terms are statutorily defined are not covered by this policy. State agencies can choose to apply the existing encumbrance exception for formula grant payments authorized by statute or session law to units of local government as referenced in [Policy 21-01](#)

This policy supersedes other state agency policies that concern grant payments except when the existing state agency policy is stricter. This policy does not supersede any applicable state or federal law, rule, or regulation which specifies a grant payment schedule.

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

Definitions

Advance Payment:

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

Grant Contract Agreement:

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

Grant Award Notification:

For the purposes of this policy, this refers to the state agency's official notice of a grant award that takes place after the corresponding grant application process has been completed. The grant award notification is issued as a result of the following:

- Grant application materials include the standard grant contract language and assurances.
- Applicants accept the terms and conditions of the grant funds based on their signature and submission of application materials.
- State agency completes the grant application review process.

The grant award notification incorporates the approved application materials, including the assurances accepted by the grant applicant, and officially notifies grantees that they may begin work on the grant. Signature steps are conducted in an order that results in an expedited process with a legally binding agreement.

Cost Reimbursement Payment:

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

Grant Budget:

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

Procedures

~~2. State agencies specify grant payment terms in the grant contract agreement or grant award notice.~~

~~3. The grant contract agreement or grant award notice has all necessary signatures and is fully executed.~~

~~4. Once the grant contract agreement is fully executed or the grant award notice is completed, grant payments may be made.~~

~~5. Grantees submit requests for reimbursement that are reviewed by state agency staff. If all requirements have been met, the reimbursement payment is approved and made.~~

~~If an agency determines that advance payments are necessary, a justification form is maintained in the grant file or the justification is detailed in the grant contract agreement or grant award notice. The justification must be approved by the appropriate contact within the agency's financial management area, as determined by the granting agency.~~

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