



Oversight of State-Funded Grants to Nonprofit Organizations

2023 Evaluation Report

Program Evaluation Division
Office of the Legislative Auditor
State of Minnesota



Program Evaluation Division

The Program Evaluation Division was created within the Office of the Legislative Auditor (OLA) in 1975. The division's mission, as set forth in law, is to determine the degree to which state agencies and programs are accomplishing their goals and objectives and utilizing resources efficiently.

Topics for evaluations are approved by the Legislative Audit Commission (LAC), which has equal representation from the House and Senate and the two major political parties. However, evaluations by the office are independently researched by the Office of the Legislative Auditor's professional staff, and reports are issued without prior review by the commission or any other legislators. Findings, conclusions, and recommendations do not necessarily reflect the views of the LAC or any of its members.

OLA also has a Financial Audit Division that annually audits the State of Minnesota's financial statements and the financial statements of three state public pension systems. The division also conducts internal control and compliance audits of individual state agencies each year.

OLA also conducts special reviews in response to allegations and other concerns brought to the attention of the office. OLA assesses each allegation and concern to determine what action should be taken. In some cases, a response can wait for a future audit or evaluation; sometimes, OLA decides that a more immediate response is needed and conducts a special review.

For more information about OLA and to access its reports, go to: www.auditor.leg.state.mn.us.

Evaluation Staff

Judy Randall, *Legislative Auditor*
Jodi Munson Rodríguez, *Deputy Legislative Auditor*

Caitlin Badger
Gretchen Becker
Eleanor Berry
Stephanie Besst
Sarah Delacueva
Scott Fusco
Will Harrison
Marielynn Herrera
Jenna Hoge
David Kirchner
Kelly Lehr
Kyle Malone
Kaitlyn Schmaltz
Laura Schwartz
Caitlin Zanoni-Wells

To obtain reports in electronic ASCII text, Braille, large print, or audio, call 651-296-4708. People with hearing or speech disabilities may call through Minnesota Relay by dialing 711 or 1-800-627-3529.

To offer comments about our work or suggest an audit, investigation, or evaluation, call 651-296-4708 or e-mail legislative.auditor@state.mn.us.



Printed on Recycled Paper

February 2023

Members of the Legislative Audit Commission:

Minnesota provides hundreds of millions of dollars in grant funding each year to different types of organizations, including nonprofit organizations. Statutes require state agencies to follow policies created by the Minnesota Department of Administration (Admin) when managing these grants.

OLA has found pervasive noncompliance by state agencies with grants management policies in recent years, and statutes provide little authority to enforce agencies' compliance with these policies. We make recommendations to strengthen grants management policies and increase oversight of grants management in executive branch agencies.

Our evaluation was conducted by Jodi Munson Rodríguez (evaluation manager), Scott Fusco, Jenna Hoge, and Kelly Lehr. Admin, the Minnesota Department of Education, and the Department of Public Safety all cooperated fully with our evaluation, and we thank them for their assistance.

Sincerely,



Judy Randall
Legislative Auditor



OLA



Oversight of State-Funded Grants to Nonprofit Organizations

The Office of Grants Management (OGM) has established policies that broadly align with many recommended practices for grants management, but the policies often lack specificity. Also, OLA has found pervasive noncompliance with OGM policies by state agencies in recent years, signaling issues with accountability and oversight.

Report Summary

Comprehensiveness of OGM Policies

Comprehensive grants management policies can help promote accountability and improve grant outcomes by establishing a minimum level of oversight. They can also promote consistency across state agencies.

- OGM policies establish many practices that are important for effective grants management, but they generally lack sufficient detail for state agencies on how best to implement them. (p. 25)
- OGM policies do not include several recommended practices for grants management. (p. 26)

Recommendation ► OGM should strengthen its grants management policies and provide more specific guidance to state agencies on how to implement the policies. (p. 35)

State Agency Compliance with OGM Policies

OGM policies are only effective if state agencies implement them. We found several instances of noncompliance with OGM policies in this evaluation that are consistent with those OLA has found across numerous state agencies in recent years.

- While the Minnesota Department of Education (MDE) has established some agency-specific grants management procedures, it has provided insufficient written guidance to grant managers to ensure they consistently comply with all OGM policies. (p. 14)
- Based on our review, MDE only partially complied with OGM policies and consistently provided less oversight of legislatively named grants than competitively awarded grants. (p. 15)

Recommendations ► MDE should: (1) create agency-specific grants management procedures that provide more specific direction to grant managers, and (2) ensure grant managers comply with all OGM policies. (p. 18)

- The Department of Public Safety (DPS) has established agency-specific procedures for managing grants that address most OGM policies, but some procedures are not sufficiently detailed. (p. 20)

Background

Grants are an important tool that governments can use to fund public services. Minnesota provides hundreds of millions of dollars in grant funding each year to various types of organizations, including nonprofit organizations. In fiscal years 2018 through 2022, 27 state agencies spent an annual average of about \$514 million on state-funded grants to nonprofit organizations.

Statutes require the Minnesota Department of Administration (Admin) to create grants management policies and serve as a resource for grants management training. Admin's Office of Grants Management (OGM) carries out these duties. OGM established 13 policies state agencies are required to follow when managing state-funded grants. These policies describe broad requirements for all three stages of the grant lifecycle: pre-award, active grant, and closeout.

- Based on our review, DPS largely complied with OGM policies but could make improvements. (p. 20)

Recommendations ► DPS should: (1) revise and formalize its grants management procedures to include greater specificity and direction, and (2) ensure grant managers fully comply with all OGM policies. (p. 23)

Accountability

We identified systemic issues regarding grants oversight in Minnesota. Several factors can affect state agencies' ability to comply with OGM policies. We discuss options for increasing state agencies' compliance with OGM policies and improving accountability in grants management.

- Statutes provide little authority to enforce state agencies' compliance with OGM grants management requirements or require corrective action when agencies are noncompliant. (p. 44)

Recommendation ► The Legislature should increase external oversight of grants management in executive branch agencies. (p. 49)

- State agencies use various methods to collect, store, and review grants management documentation. (p. 42)
- Minnesota does not have a comprehensive, statewide repository for data on state-funded grants that allows legislators and others to review how well state agencies manage grants. (p. 45)

Recommendation ► The Legislature should direct Admin to develop recommendations for improving access to comprehensive statewide data on state-funded grants. (p. 51)

- Statutes require Admin to offer training on only 1 of its 13 policies, and approximately one-third of grants management staff we surveyed indicated OGM provides too little training on its policies. (p. 41)

Recommendations ► The Legislature should: (1) require OGM to develop a grants management training program for state agency staff, and (2) require all state agency grants management staff to complete the grants management training program. (p. 47)

Summary of Agency Responses

The departments of Administration, Education, and Public Safety responded to our report in separate letters dated January 25, 2023.

Minnesota Department of Administration Commissioner Alice Roberts-Davis noted that the department agreed with four of OLA's recommendations related to grant administration and partially agreed with two others. For example, she noted, "We believe that the OGM policies are sufficient in requiring the necessary internal controls to prevent fraud, waste, and abuse. However, we agree that more specific guidance may be required to provide clarity...."

Minnesota Department of Education Commissioner Willie Jett said, "The department takes its responsibility to manage grants seriously and agrees that its procedures, training, and documentation can be improved. MDE has already begun to take steps that are aligned with the two recommendations made by the OLA." He indicated that the department plans to complete several activities by the end of the fiscal year.

Department of Public Safety Deputy Commissioner Cassandra O'Hern stated, "We are pleased that this report acknowledges that DPS' established procedures for managing grants address most of the OGM policies, but we recognize that improvements can be made.... We are confident that we can address the two DPS recommendations in the next few months."

The full evaluation report, *Oversight of State-Funded Grants to Nonprofit Organizations*, is available at 651-296-4708 or: <https://www.auditor.leg.state.mn.us/ped/2023/osfigno.htm>.

Table of Contents

1	Introduction
3	Chapter 1: Background
3	Grants
5	Nonprofit Organizations
6	Characteristics of State-Funded Grants to Nonprofit Organizations
9	Grants Management
13	Chapter 2: MDE and DPS Compliance with Grants Management Policies
13	Minnesota Department of Education (MDE)
19	Department of Public Safety (DPS)
25	Chapter 3: Grants Management Policies
25	Comprehensiveness of Minnesota Grants Management Policies
35	Recommendation
37	Chapter 4: Accountability
37	Systemic Noncompliance with Requirements
38	Factors Affecting Compliance
46	Discussion and Recommendations
53	List of Recommendations
55	Appendix A: Office of Grants Management Policies
59	Appendix B: Grants Selected for Office of the Legislative Auditor Compliance Review
61	Appendix C: Office of the Legislative Auditor Reports, Findings and Recommendations on Grants Management, 2017-2022
71	Appendix D: Comparison of OGM Policies to Recommended Practices in Grants Management
81	Agency Response – Minnesota Department of Administration
85	Agency Response – Minnesota Department of Education
87	Agency Response – Department of Public Safety



OLA

Introduction

The Legislature authorizes state-funded grants—financial assistance or services provided through a state agency by another organization—to achieve a public purpose. These purposes can vary greatly, from homelessness prevention and assistance to providing online music education.

State agencies typically oversee state-funded grants. To standardize state agencies' oversight efforts, the Legislature directed the Minnesota Department of Administration (Admin) to “create general grants management policies and procedures that are applicable to all executive branch agencies.”¹ The Legislature also directed Admin to establish the Office of Grants Management (OGM) to create these statewide grants management policies.² OGM has developed 13 policies that state agencies must follow.

In recent years, the Office of the Legislative Auditor (OLA) has identified issues with certain state agencies' management of grants.³ In addition, some legislators have expressed concerns about state agencies' oversight of nonprofit organizations that receive government funding. Amid these concerns, the Legislative Audit Commission directed OLA to review how the Minnesota Department of Education (MDE) and the Department of Public Safety's (DPS's) Office of Justice Programs have complied with OGM grants management policies. The Commission also directed OLA to review OGM policies. Our evaluation addressed the following questions:

- **To what extent have state agencies, particularly MDE and DPS's Office of Justice Programs, complied with OGM grants management policies?**
- **To what extent has OGM established comprehensive policies for managing state-funded grants to nonprofit organizations?**

We used a variety of research methods to answer these questions. To determine the extent to which MDE and DPS managed grants in accordance with OGM policies, we reviewed a sample of grant files from each department. We selected 16 grants within MDE's Early Learning Services and Academic Standards, Instruction, and Assessment divisions, and 23 grants from DPS's Office of Justice Programs. We reviewed key grant documentation, including grant contract agreements, financial reviews, and progress reports. We also reviewed MDE's and DPS's agency-specific grants management procedures.

To determine the comprehensiveness of OGM policies, we identified recommended practices by reviewing reports from national organizations, including The Pew Charitable Trusts and the U.S. Government Accountability Office. We compared OGM policies to these practices. We also identified and reviewed grants management requirements in Illinois, North Carolina, and Texas. In addition, we surveyed grants

¹ *Laws of Minnesota* 2007, chapter 148, art. 2, sec. 22, subd. 4(a), codified as *Minnesota Statutes* 2022, 16B.97, subd. 4(a)(1).

² *Laws of Minnesota* 2007, chapter 148, art. 1, sec. 12, subd. 4(a).

³ See Appendix C for a list of these reports.

management supervisors from 26 grant-making Minnesota state agencies to learn about their opinions and experiences implementing OGM policies.

To inform our evaluation, we conducted numerous interviews. We spoke with staff at several state agencies, including the Department of Administration, MDE, and DPS. We also spoke with staff from several other organizations, including the Minnesota Council of Nonprofits and the Minnesota Council on Foundations, six nonprofit grantee organizations, and grants management officials in other states.

Last, to provide context to our work, we analyzed data from several sources. We reviewed data from SWIFT, the state's accounting system, for grant expenditures for state agencies, boards, commissions, councils, authorities, and task forces. We combined this data with Internal Revenue Service data on tax-exempt organizations to identify grants to nonprofit organizations. We also reviewed grants data from MDE and DPS.

We focused our evaluation on state-funded grants to nonprofit organizations; thus, we did not review federal requirements for grants management or analyze management of federally funded grants. We also did not analyze management of other types of state aid, contracts, or grants to entities other than nonprofit organizations, including for-profit corporations or government entities. Finally, we did not conduct a comprehensive analysis of all state agencies' compliance with OGM policies.

Chapter 1: Background

Grants are an important tool that governments can use to fund public services. For example, governments may use grants to fund organizations that offer services for hard-to-reach populations, conduct innovative research, or provide emergency assistance. Minnesota provides hundreds of millions of dollars in grant funding each year to various types of organizations that provide public services.

In recent years, legislators, government officials, and others have raised concerns about grant administration in Minnesota, particularly for funding provided to nonprofit organizations. Because grants represent a large investment of public funds and can be susceptible to fraud or abuse if not properly managed, there is widespread interest in protecting grant investments.

In this chapter, we define grants and explain the unique characteristics of a nonprofit organization—one of the key types of grant recipients in Minnesota. We describe the characteristics of state-funded grants that Minnesota state agencies have provided to nonprofit organizations in recent years.¹ We also discuss Minnesota’s requirements for managing state-funded grants.

Grants

In Minnesota, state agencies provide funding to eligible recipients through various types of financial awards, including aid, contracts, and grants. *Aid* refers broadly to a variety of programs through which the state distributes funding for specific purposes. For example, the Minnesota Department of Education (MDE) provides general education aid to all public-school districts and charter schools. State agencies enter into *contracts* to directly purchase or otherwise acquire particular goods or services from another entity. This includes, for instance, the Department of Public Safety (DPS) paying a private company to provide training to the department’s employees.



Grants

Grants are financial assistance paid, or services furnished, by a state agency via a third party to an eligible recipient.

— Minnesota Department
of Administration,
Office of Grants Management

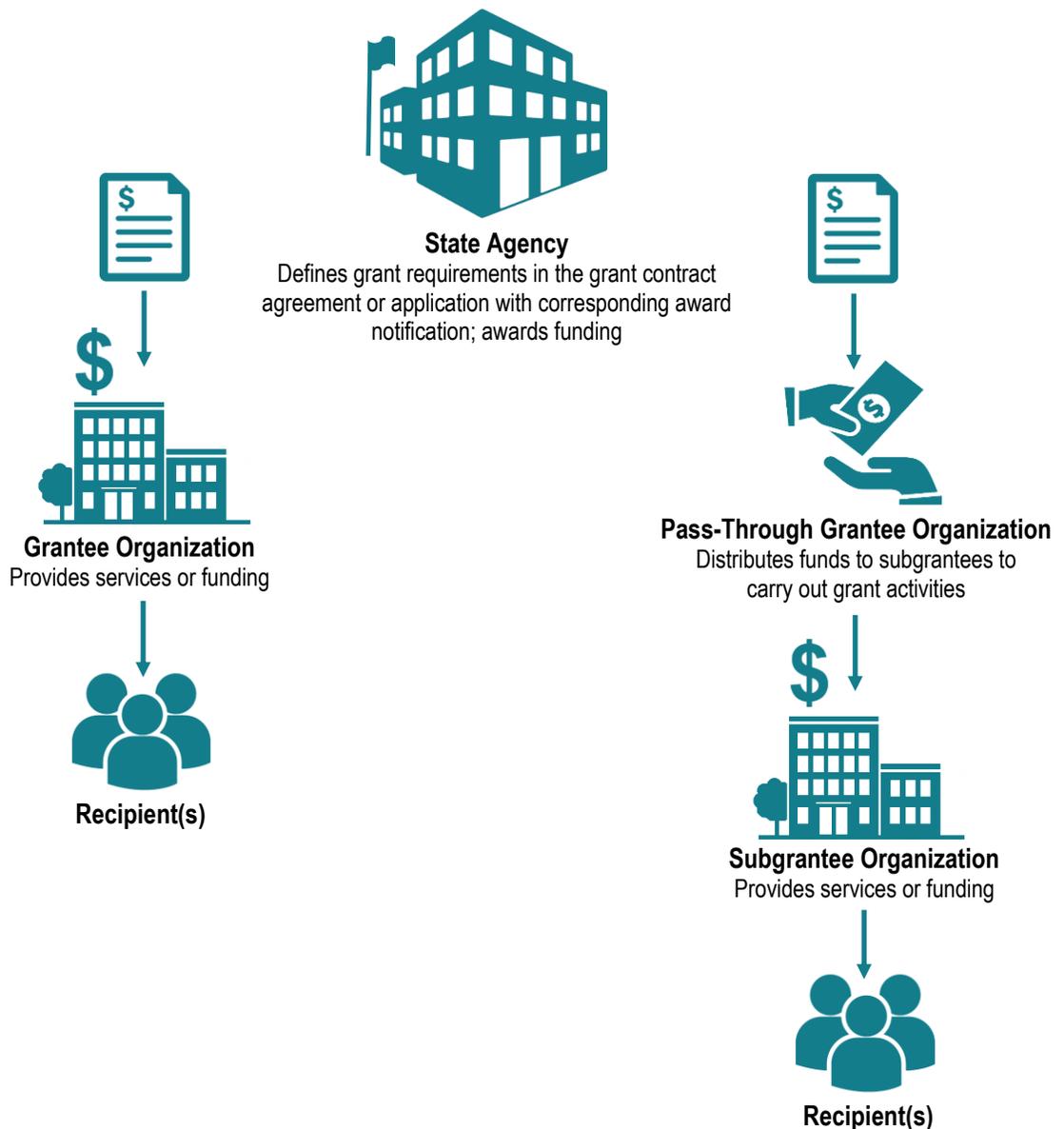
This evaluation focuses on *grants*. Grants involve at least three groups: (1) the grant-making agency with the authority to make the grant, (2) the organization that provides services or distributes funds, and (3) the individuals or groups that receive the final service or funds. In Minnesota, the Legislature appropriates money for state-funded grants to state agencies. State agencies award those funds to organizations that, in turn, provide the intended public service. Organizations that receive state-funded grants include local governments, universities, research labs, law enforcement agencies, businesses, and nonprofit organizations. For example, the Legislature appropriates funds to DPS for the Youth Intervention Program, which funds

¹ For simplicity, we use “state agencies” to refer to executive branch entities that make grants. State agencies may include executive branch agencies, boards, commissions, councils, authorities, and task forces.

literacy and academic assistance, afterschool activities, and other services to youth. DPS then awards grant funds to organizations that provide these services.

Organizations may also serve as a pass-through entity, as shown below. Pass-through entities distribute grant funds from state agencies to other organizations that provide the actual service. For example, the Legislature appropriates funds to MDE for the Early Learning Scholarship program, which helps families pay for high-quality child care and early education. MDE awards those funds to pass-through organizations—such as Milestones—that, in turn, provide scholarships to eligible families through child care and early education organizations. Pass-through entities, like Milestones, typically provide administrative services for grantee organizations.

The Legislature appropriates money to state agencies for state-funded grants, and agencies award those funds to other organizations.



An organization may receive a state-funded grant in several ways. A state agency may award grants through a competitive process. In this case, state agencies define the general scope of work and establish eligibility requirements for the grant. Organizations apply for these grants, and the state agency selects grant recipients, or “grantees.” Additionally, the Legislature may specifically name in law organizations to receive grant funding. In these instances, the Legislature directs state agencies to provide designated funds to the organizations named in law. A third process involves a state agency determining that an organization is the only supplier of a particular service and awarding a single/sole source grant to that organization. Organizations do not need to compete for legislatively named grant awards or single/sole source grant awards.²



Three processes for state-funded grant award selection:

1. Competitive process
2. Named by Legislature
3. Identified as single/sole source for a service

Nonprofit Organizations

One common type of recipient of state-funded grants is a nonprofit organization. The Minnesota Nonprofit Corporation Act details numerous requirements an organization must meet to form and operate as a nonprofit organization in Minnesota.³ For example, the organization must not operate for its members’ monetary gain. As another example, an organization must file articles of incorporation with the Secretary of State.



Nonprofit Organization

A nonprofit organization is a corporation whose purpose and activities serve the organization’s mission to benefit the public. Nonprofit organizations must not be operated to profit other persons or entities.

— Minnesota Office of the Attorney General

There are many types of nonprofit organizations, including charitable organizations, social welfare organizations, churches, schools, hospitals, and child care organizations.

One common type of nonprofit organization is a charitable organization. Statutes define a “charitable organization” as any person, corporation, or other specified entity that requests donations for a charitable purpose, including any philanthropic, educational, or similar public interest purpose.⁴ A charitable organization exists to provide philanthropic, cultural, public, or other specified services without a profit motive. Other types of nonprofit organizations include churches, schools, hospitals, homeowners’ associations, volunteer firefighter organizations, and other organizations that do not fall into the “charitable organization” category.

² Organizations may also receive a formula grant. This type of grant involves an organization receiving an allocation of money in accordance with distribution formulas prescribed by law or administrative regulation, or noncompetitive awards based on a predetermined formula.

³ *Minnesota Statutes 2022*, Chapter 317A.

⁴ *Minnesota Statutes 2022*, 309.50, subds. 2-4.

Most nonprofit organizations are exempt from paying federal income taxes.⁵ To receive a federal tax exemption, an organization must demonstrate that they operate for exempt purposes, including “religious, charitable, scientific, testing for public safety, literary, or educational purposes” or other specified purposes.⁶ A tax-exempt organization must also not provide any net earnings to a private shareholder or individual.

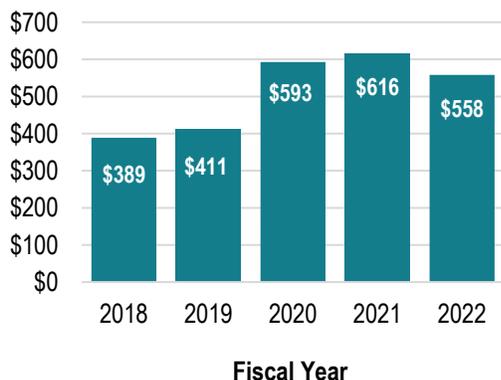
Characteristics of State-Funded Grants to Nonprofit Organizations

State-funded grants to nonprofit organizations represent a sizeable investment of public dollars in Minnesota. To provide an overview of the state’s spending on grants to nonprofit organizations in recent years, we reviewed data from SWIFT, the state’s accounting system, for fiscal years 2018 through 2022.⁷

State agencies spent an annual average of about \$514 million on state-funded grants to nonprofit organizations during the past five fiscal years.

State-funded grant expenditures to nonprofit organizations increased in recent years.

Grant Expenditures
in Millions



In fiscal years 2018 through 2022, state agencies spent a total of about \$2.6 billion dollars on state-funded grants to nonprofit organizations. State agencies spent about 2 percent of this amount (\$51 million) on grants to schools, 13 percent (\$325 million) on grants to hospitals and clinics, and 85 percent (\$2.2 billion) on grants to all other types of nonprofit organizations.⁸ Grant funding to nonprofit organizations increased from \$389 million in Fiscal Year 2018 to \$558 million in Fiscal Year 2022, as shown in the box to the left.

Twenty-seven state agencies made grants to nonprofit organizations in fiscal years 2018 through 2022. As shown on the next page, the Department of Human Services granted the largest amount of state funding to nonprofit organizations during the five-year period (\$436 million), followed by MDE (\$404 million).

⁵ Nonprofit organizations that are exempt from federal income taxes are also exempt from state income taxes in Minnesota. *Minnesota Statutes* 2022, 290.05, subd. 2.

⁶ 26 U.S. Code, sec. 501(c)(3) (2021). Types of organizations exempt from federal income taxes are defined in the federal tax code.

⁷ Because SWIFT does not contain reliable data on whether grantees are nonprofit organizations, we used Internal Revenue Service (IRS) data to identify tax-exempt organizations. As we noted above, while nonprofit organizations are defined and governed by the Minnesota Nonprofit Corporation Act, most nonprofit organizations are exempt from federal taxation.

⁸ We reviewed IRS data and identified the institutional categories of “schools” and “hospitals and clinics,” which are generally highly regulated and which may be less traditionally thought of as grantees.

State Agencies that Expended the Most Grant Funding to Nonprofit Organizations, Fiscal Years 2018-2022

State Agency	Amount of Grant Funding Expended	Number of Nonprofit Grantee Organizations
Department of Human Services	\$436,000,000	592
Department of Education	404,000,000	113
Department of Health	386,000,000	462
Department of Employment and Economic Development	383,000,000	255
Department of Commerce	205,000,000	35
Department of Natural Resources	171,000,000	279
Minnesota State Arts Board	168,000,000	597
Department of Public Safety	134,000,000	196
Department of Transportation	123,000,000	20
Department of Administration	52,000,000	31

Note: This exhibit includes grants to all tax-exempt organizations as identified by IRS data, including schools, hospitals, and charitable organizations, among others.

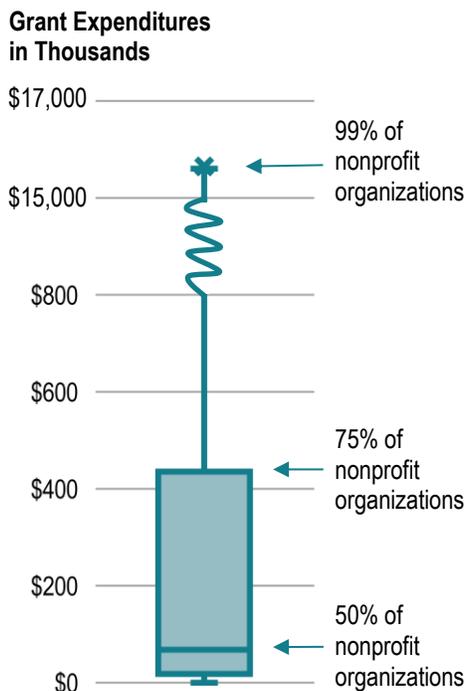
Nearly one-quarter of the nonprofit organizations that received state-funded grants in the past five fiscal years received grants from multiple state agencies.

While most nonprofit organizations (about 75 percent) received state-funded grants from only one state agency in fiscal years 2018 through 2022, 14 percent received grants from two state agencies, and 6 percent received grants from three state agencies. The remaining 5 percent of nonprofit organizations received grants from between four and ten state agencies. The table below lists the ten nonprofit organizations that received grants from the most state agencies in the past five fiscal years.

Nonprofit Organizations Receiving State-Funded Grants from the Most State Agencies, Fiscal Years 2018-2022

Nonprofit Organization	Number of State Agencies Providing Grants
Lutheran Social Service of Minnesota	10
Arrowhead Economic Opportunity Agency, Inc.	8
Comunidades Latinas Unidas en Servicio, Inc.	8
Pillsbury United Communities	8
United Community Action Partnership, Inc.	8
MAHUBE-OTWA Community Action Partnership, Inc.	7
The Karen Organization of Minnesota	7
University of St. Thomas	7
West Central Minnesota Communities Action, Inc.	7
YMCA of the North	7

While the amount of state-funded grants to nonprofit organizations varied over fiscal years 2018 through 2022, about half of all organizations received less than \$68,000 during the five-year period.



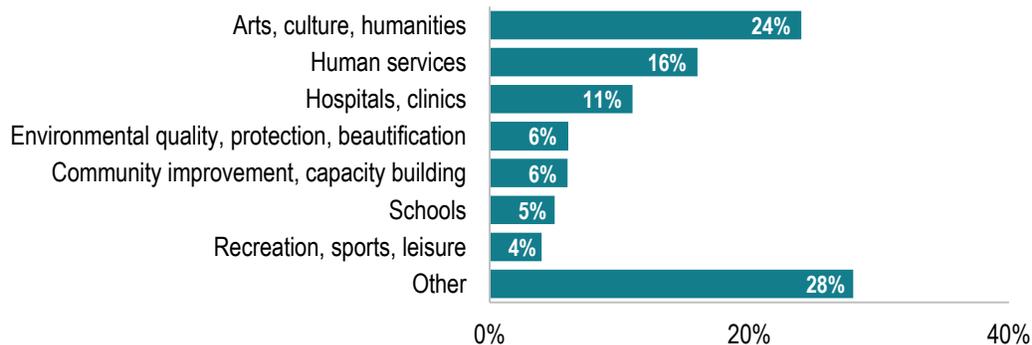
State agencies awarded grants to roughly 2,400 nonprofit organizations in fiscal years 2018 through 2022. Grant funding to individual nonprofit organizations varied widely over the five-year period, ranging from less than \$1,000 to more than \$190 million. The total median funding for the five-year period was about \$68,000, and 75 percent of organizations received less than \$440,000, as shown to the left. The table below lists the ten nonprofit organizations that received the most funding during the five-year period.

Nonprofit Organizations Receiving the Most Money in State-Funded Grants, Fiscal Years 2018-2022

Nonprofit Organization	Total Grant Expenditures
Minnesota Comprehensive Health Association	\$193,000,000
Think Small	96,400,000
Hennepin Healthcare System, Inc.	76,600,000
Pheasants Forever, Inc.	67,400,000
Arrowhead Economic Opportunity Agency, Inc.	53,400,000
ServeMinnesota	44,400,000
Minnesota Land Trust	39,500,000
Catholic Charities of the Archdiocese of St. Paul and Minneapolis	38,500,000
Child Care Resource and Referral, Inc.	36,300,000
Minnesota Child Care Resource and Referral Network	33,400,000

Nonprofit organizations dedicated to the arts, culture, and humanities comprised the highest percentage of grantees (24 percent) in fiscal years 2018 through 2022. These included the Metropolitan Regional Arts Council, Twin Cities Public Television, and Minnesota Public Radio. Nonprofit organizations dedicated to the human services, including Think Small and Catholic Charities of the Archdiocese of St. Paul and Minneapolis, comprised the second highest percentage of grantees (16 percent) during the same time period. More than one-quarter of nonprofit organizations were categorized into 19 “other” categories, including housing and employment.

Primary Activities of Nonprofit Grantee Organizations, Fiscal Years 2018-2022



Note: Percentages above are for state-funded grants only and do not include nonprofit organizations that did not record the type of services they provide in the data we analyzed. These organizations comprised about one-quarter of all organizations in our review.

Grants Management

In 2007, the Office of the Legislative Auditor (OLA) conducted an evaluation to determine how well the state administered state-funded grants to nonprofit organizations.⁹ OLA concluded that Minnesota state government had a fragmented approach to grants management that lacked oversight and accountability.¹⁰ OLA also noted that many state agencies implemented their own grants management policies, but the policies were varied, leading to inconsistent grants management across state government.¹¹ Based on these findings, OLA recommended that the State of Minnesota establish a Grants Management Office to “strengthen accountability and improve management of state grants.”¹²

In response, the 2007 Legislature directed the Minnesota Department of Administration (Admin) to “create general grants management policies and procedures that are applicable to all executive branch agencies.”¹³ In the same year, the Legislature directed Admin to establish the Office of Grants Management (OGM) to develop the state’s grants management policies.¹⁴

Office of Grants Management (OGM) Duties

Statutes require Admin to perform a number of duties related to grants management, as shown in the box to the right. These include acting as a central point of contact for grants management policies and procedures and providing training and resources to state agency staff on best practices for grants management.¹⁵ OGM is responsible for carrying out these duties.

OGM works with more than 30 state agencies and other entities to “standardize, streamline and improve state grant-making practices, as well as to increase public information about state grant



OGM Duties

- Create grants management policies.
- Provide a central point of contact for grants management and for comments about policy violations and waste and fraud.
- Serve as a resource for grants management training, evaluation, collaboration, and best practices.
- Consider grants management needs in statewide administrative systems.
- Provide a list of all available executive branch agency competitive grant opportunities.
- Selectively review executive branch agency grants management practices and compliance.

— **Minnesota Statutes 2022,
16B.97, subd. 4(a)**

⁹ Office of the Legislative Auditor, Program Evaluation Division, *State Grants to Nonprofit Organizations* (St. Paul, 2007).

¹⁰ *Ibid.*, xi.

¹¹ *Ibid.*, 29

¹² *Ibid.*, 43.

¹³ *Laws of Minnesota 2007*, chapter 148, art. 2, sec. 22, subd. 4(a), codified as *Minnesota Statutes 2022*, 16B.97, subd. 4(a)(1).

¹⁴ *Laws of Minnesota 2007*, chapter 148, art. 1, sec. 12, subd. 4(a).

¹⁵ *Minnesota Statutes 2022*, 16B.97, subs. 4(a)(2) and (3).

opportunities.”¹⁶ In 2022, OGM employed three full-time staff: one director responsible for statewide grants management policies and two staff who managed the office’s grants portfolio. The department reported that it responds to over 550 inquiries from state agencies and entities each year. These inquiries include requests for technical assistance and training on the state grant requirements.

OGM Grants Management Policies

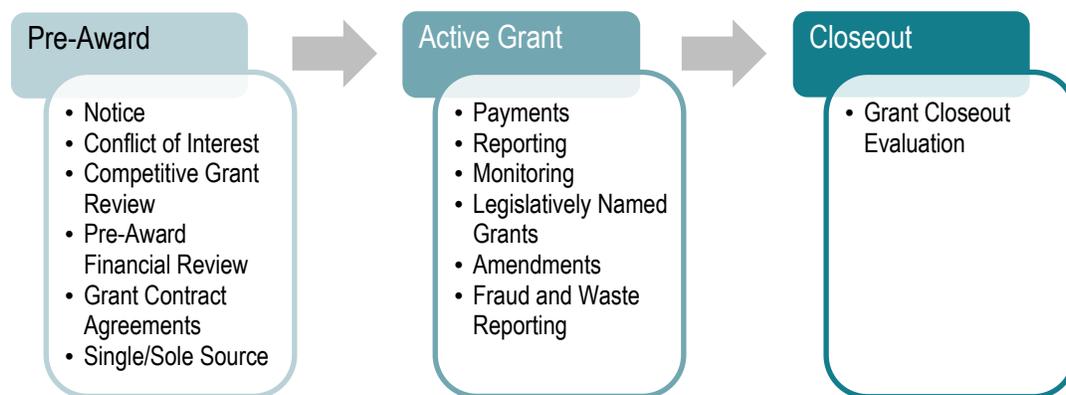
In 2008, OGM established 13 policies state agencies are required to follow when managing state-funded grants. OGM created these policies with input from an executive branch steering committee and nonprofit organizations. These policies apply to executive branch agencies, boards, commissions, councils, authorities, and task forces. The policies are intended to create consistency in grants management practices across the executive branch.¹⁷ We describe OGM policies in Appendix A.

OGM policies establish broad requirements for state agencies to follow. Most of the policies outline procedures for grants management, and specify definitions, minimum requirements, and the scope of coverage. The policies provide recommended activities that state agencies may choose to incorporate in their grants management activities.

While OGM policies establish broad requirements, they provide state agency staff with flexibility to implement them. For example, OGM policy requires that grantees submit written progress reports at least annually to state agencies. OGM policy does not specify the content or format of those reports, but rather allows state agency staff to determine those requirements. In addition, statutes authorize a state agency to submit to OGM for approval a formal request for an exception to a policy for a particular grant program.¹⁸ An exception excludes a state agency from meeting specific requirements in a policy for that grant program.

Grant Lifecycle

The grant process follows a lifecycle that includes three stages: (1) pre-award, (2) active grant, and (3) closeout. OGM policies cover all three stages and describe various activities that state agencies and grantees must complete in each stage.



¹⁶ Minnesota Department of Administration, “Grants Management,” <https://mn.gov/admin/government/grants/>, accessed November 1, 2022.

¹⁷ General obligation grants and capital project grants are not subject to most OGM policies.

¹⁸ *Minnesota Statutes* 2022, 16B.97, subd. 4(a)(1).

Pre-Award Stage

The pre-award stage represents the beginning of the grant lifecycle.¹⁹ OGM has created six policies that cover the pre-award stage. OGM policies in this stage are intended to ensure state agencies conduct a fair, equitable, inclusive, accessible, and consistent grant award process.

OGM policies require state agencies to conduct several activities prior to making a grant award. For example, one OGM policy requires state agencies to document conflicts of interest during the grantee selection process. Another OGM policy requires state agencies to use competitive grant award processes whenever possible and to review grant applications. A third OGM policy requires state agencies to review recent financial information that demonstrates the applicant's financial stability before awarding grants to certain types of entities.²⁰ A fourth OGM policy requires state agencies to enter into a written grant contract agreement, which contains a work plan and budget, with each grantee, including for grants awarded through competitive, legislatively named, or single/sole source processes.²¹



Pre-Award Policies

- Notice
- Conflict of Interest
- Competitive Grant Review
- Pre-Award Financial Review
- Grant Contract Agreements
- Single/Sole Source

— Minnesota Department
of Administration,
Office of Grants Management

Active Grant Stage

OGM has created six policies that relate to the second stage of the grant lifecycle, the active grant stage. OGM policies for this stage require state agencies to monitor grant programs and outcomes to ensure grantees achieve grant goals and spend funds appropriately.

OGM policies require state agencies to conduct several activities during the active grant stage. For example, OGM policies require state agencies to collect and review regular progress reports that grantees submit. These reports are intended to demonstrate how the grantee has used grant funds and has complied with the grant contract. Another OGM policy



Active Grant Policies

- Payments
- Reporting
- Monitoring
- Legislatively Named Grants
- Amendments
- Fraud and Waste Reporting

— Minnesota Department
of Administration,
Office of Grants Management

¹⁹ The activities in the pre-award stage may vary slightly depending on the type of grant. For example, for legislatively named grants and single/sole source grants, agencies do not issue a funding opportunity announcement.

²⁰ State agencies must review certain financial information from a grant applicant that is a nongovernmental organization before awarding a grant over \$25,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

²¹ If agencies award grants over \$5,000 through a single/sole source contract rather than a competitive process, they must also complete a justification form that demonstrates only one entity is reasonably able to meet a grant's intended purpose and objectives.

requires state agencies to conduct monitoring visits for certain grants.²² A third OGM policy requires state agencies to monitor legislatively named grants with the same oversight as competitively awarded grants.

Closeout Stage

The closeout stage is the final stage of the grant lifecycle; OGM has created one policy regarding this stage.²³ The policy requires state agencies to compile information on grant outcomes, monitoring and financial reconciliation results, and financial concerns involving the grantee, among other information.²⁴ The policy also requires state agencies to share closeout evaluations and past performance information with other state agencies upon request.



Closeout Policy

- Grant Closeout Evaluation

— **Minnesota Department
of Administration,
Office of Grants Management**

²² State agencies must conduct at least one monitoring visit before final payment is made on grants over \$50,000; state agencies must conduct at least annual monitoring visits on grants over \$250,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1.

²³ State agencies must consider a grant applicant's performance on prior grants from that agency before making a new grant award of more than \$5,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-13, *Policy on Grant Closeout Evaluation*, revised December 2, 2016, 1.

²⁴ A financial reconciliation involves ensuring a grantee's documentation of its spending, such as receipts or payroll records, support its requests for grant payments.

Chapter 2: MDE and DPS Compliance with Grants Management Policies

As explained in Chapter 1, more than two dozen state agencies provided state-funded grants to nonprofit organizations in fiscal years 2018 through 2022.¹ Minnesota statutes require that each of these state agencies manage their grants in accordance with policies developed by the Minnesota Department of Administration (Admin).² Admin’s Office of Grants Management (OGM) is responsible for maintaining and acting as a resource on these policies. OGM policies describe activities state agencies must complete in order to oversee grants and ensure that grant activities, expenditures, and results align with the objectives and expected outcomes of the grants.

This chapter focuses on the Minnesota Department of Education’s (MDE’s) and the Department of Public Safety’s (DPS’s) management of state-funded grants to nonprofit organizations. We describe the characteristics of these state agencies’ state-funded grants and their agency-specific grants management procedures. We also explain the extent to which MDE and DPS complied with OGM policies for select grants.

Minnesota Department of Education (MDE)

MDE provided roughly \$404 million in state-funded grants through about 55 grant programs during fiscal years 2018 through 2022.³ The department awarded this grant funding to 114 nonprofit organizations. About 35 percent of these nonprofit organizations were schools, 13 percent were human services organizations, and 9 percent were other types of educational institutions.⁴

For this evaluation, we focused on the two MDE divisions that managed the most state grant funding to nonprofit organizations in fiscal years 2018 through 2022: The Division of Early Learning Services (Early Learning), and the Division of Academic Standards, Instruction, and Assessment (Academic Standards). Among other duties, the Early Learning division helps children prepare for kindergarten by providing a variety

Nonprofit Organizations Receiving the Most State Grant Funding from MDE, Fiscal Years 2018-2022

Nonprofit Organization	MDE Grant Expenditures (in millions)
Think Small	\$94
ServeMinnesota	44
Child Care Resource and Referral, Inc.	35
Milestones	30
Parents in Community Action	22

¹ For simplicity, we use “state agencies” to refer to executive branch entities that make grants. State agencies may include executive branch agencies, boards, commissions, councils, authorities, and task forces.

² *Minnesota Statutes* 2022, 16B.97, subd. 4(a)(1).

³ The state’s accounting system (SWIFT) does not have a designated field to track grant programs; therefore, the number of grant programs we estimate here may be slightly higher or lower than the actual number.

⁴ Nearly half of the remaining 43 percent of nonprofit organizations did not report their main activities in the data we reviewed; the other nonprofit organizations were spread across numerous other categories of activities, including community improvement and youth development.

of services, including awarding early learning scholarships to help families pay for high-quality child care and early education. The Academic Standards division supports implementation of standards-based education. This includes facilitating the academic standards revision and statewide assessment processes, and providing professional development. The Early Learning and Academic Standards divisions managed about 25 grants and expended more than 95 percent of MDE’s total grant expenditures to nonprofit organizations in fiscal years 2018 through 2022.

MDE provided an annual average of about

\$81 million

in state-funded grants to nonprofit organizations in fiscal years 2018 through 2022.

MDE Procedures

We explained in Chapter 1 that, while *OGM* policies establish broad requirements, they provide state agency staff with flexibility to implement them. State agencies can develop *agency-specific* grants management procedures to provide grant managers with more specific direction on how they are expected to comply with OGM policies and oversee the state agency’s grants.⁵

While MDE has established some agency-specific grants management procedures, it has provided insufficient written guidance to grant managers to ensure they consistently comply with all OGM policies.

MDE has developed procedures to help grant managers comply with certain OGM policies across the grant lifecycle.⁶ For example, OGM policies require state agencies to identify potential conflicts of interest, complete pre-award financial reviews in certain circumstances, and complete closeout evaluations when grants have concluded.⁷ MDE has developed templates for grant managers to complete those activities. MDE has also developed procedures for completing required financial reconciliations and competitive grant reviews.⁸

At the same time, several of MDE’s templates and procedures do not provide sufficient instructions on how and when to carry out required activities. Relevant templates do not, for instance, instruct grant managers on how to identify or resolve conflicts of interest or financial concerns that could arise during pre-award financial reviews. Although OGM policy requires state agencies to consider grantees’ past performance prior to awarding subsequent grants, MDE’s closeout evaluation template states only that the template “may” be used to review past performance prior to awarding additional grants to grantees, not that it *must* be reviewed. Additionally, procedures for reviewing competitive grant applications state that reviewers do not need to meet to discuss applications under certain circumstances, although reviewer meetings are

⁵ For simplicity, we use the term “grant manager” to refer to grant coordinators, finance specialists, or other state agency staff with grants management responsibilities.

⁶ We requested and reviewed procedures that applied to (1) grants management across all divisions in MDE, and (2) grants management within the two divisions in our review: Early Learning and Academic Standards.

⁷ See Appendix A for a description of all OGM policies.

⁸ A financial reconciliation involves ensuring a grantee’s documentation of its spending, such as receipts or payroll records, supports its requests for grant payments. This helps ensure that grant funds are spent in accordance with the grant contract agreement.

required by OGM policy. MDE has no other procedures to instruct grant managers on how to comply with these OGM policies.

In addition, MDE has not developed procedures that address certain OGM policies. For example, MDE lacks procedures for determining when to award single/sole source grants and how to identify and resolve organizational conflicts of interest. The department also has not developed procedures for reviewing progress reports or conducting monitoring visits, all of which are activities required by OGM policies.⁹ Given the lack of clear, written procedures for grants management staff to follow, it is unclear how MDE ensures staff comply with all OGM policies.

MDE Compliance with State Grants Management Requirements

We reviewed MDE's grants management documentation for 16 grants to determine the department's compliance with select OGM policies.¹⁰ MDE's Early Learning and Academic Standards divisions managed the grants in our review, which totaled \$99.2 million for fiscal years 2020 and 2021. This included ten grants MDE awarded competitively and six grants named by the Legislature, as shown in Appendix B.

Based on our review, MDE only partially complied with OGM policies and consistently provided less oversight of legislatively named grants than competitively awarded grants.

MDE did not fully comply with OGM policies across the three stages of the grant lifecycle. In addition, despite OGM policy that requires state agencies to monitor legislatively named grants with the same level of oversight applied to other state-funded grants, MDE consistently documented less fiscal and programmatic oversight of legislatively named grants compared to competitively awarded grants.¹¹ We provide additional details in the following sections.

Pre-Award Stage

In the pre-award stage of the grant lifecycle, OGM policy requires state agencies to conduct financial reviews of nongovernmental organizations prior to awarding grants over \$25,000. These financial reviews, which must



A pre-award financial review must include an inspection of at least one of three documents: (1) a grantee's internal financial statement, (2) an IRS Form 990, or (3) a grantee's certified financial audit.

— Office of Grants Management,
Operating Policy and Procedure 08-06

⁹ State agencies must complete at least one monitoring visit before final payment is made on grants over \$50,000; state agencies must conduct at least annual monitoring visits on grants over \$250,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1.

¹⁰ See Appendix A for a description of all OGM policies. We primarily focused our review on OGM policies 08-06, and 08-08 through 08-13, most of which focus on the active grant and grant closeout phases of the grant lifecycle.

¹¹ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-11, *Policy on Legislatively Mandated Grants*, issued December 18, 2008, 1.

include inspection of at least one of three specified financial documents, are intended to determine, among other things, whether a grantee is financially stable enough to carry out the purpose of the grant. The policy also requires state agencies to identify, during the financial review, significant concerns that may impact the grantee's ability to manage the grant.¹²

While MDE conducted pre-award financial reviews for most grants we reviewed, few of these reviews complied with all requirements in OGM policies.

Although MDE documented that it conducted financial reviews for 13 of the 16 grants in our sample, MDE indicated that it reviewed the *required* financial documents for only 3 of the 13 grants for which it completed a financial review.¹³ It is unclear how MDE (1) completed *required* financial reviews for the other ten grantees, and (2) determined the financial stability of the three grantees for whom the department did not complete a financial review.¹⁴

Active Grant Stage

During the active grant stage of the grant lifecycle, OGM policies require state agencies to perform various monitoring activities, such as completing financial reconciliations, collecting progress reports, and conducting monitoring visits. The purpose of these monitoring activities is to review grantees' progress against the grant goals to address any problems or issues that may arise before the end of the grant period, and to ensure grantees spend funds appropriately.

For grants in our review, MDE did not comply with all OGM policies for monitoring active grants.

MDE completed financial reconciliations for all competitive grantees in our review, but no legislatively named grantees.

OGM policy requires that state agencies conduct a financial reconciliation of grantees' expenditures at least once for grants over \$50,000 before final payment is made.¹⁵ MDE completed financial reconciliations for all of the grantees in our review that received competitively awarded grants. In contrast, MDE did not complete the required financial reconciliations for any of the legislatively named grants in our review.

¹² Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

¹³ OGM policy specifies that a pre-award financial review must include an inspection of at least one of three documents, depending on certain factors: (1) a grant applicant's internal financial statement, (2) an IRS Form 990, or (3) an applicant's certified financial audit. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

¹⁴ The three grants for which MDE did not complete a financial review were legislatively named. OGM policy 08-06 requires state agencies to complete a financial review of nongovernmental organizations that assesses the organization's financial stability before awarding a grant of over \$25,000. This policy applies to both competitive and legislatively named grants.

¹⁵ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1.

OGM policy requires grantees to submit written reports on at least an annual basis.¹⁶ Although MDE collected all of the required progress reports for the ten grantees in our review that received competitive grants, grantees submitted over one-third of those reports late. In addition, MDE failed to provide OLA with *any* progress reports for two of the six legislatively named grantees in our review. Overall, 15 of the 16 MDE grantees either submitted at least one progress report late or did not submit required reports at all.

MDE collected 100% of the required progress reports for competitively awarded grantees, but only 50% for legislatively named grantees.

OGM policy requires state agency staff to review progress reports and follow up with the grantee if there are questions or concerns. MDE staff documented that they had reviewed only 62 percent of the submitted progress reports. Without documentation, we could not determine whether MDE staff completed the required reviews for the remaining 38 percent of submitted progress reports. Further, MDE staff did not document any concerns or questions about any of the reports they reviewed.

MDE made at least \$4 million in payments to grantees with past-due progress reports, in violation of OGM policy.

OGM policies prohibit state agencies from making payments to grantees between the date on which a progress report is due and the date on which a grantee submits the report, if the report is submitted late.¹⁷ We determined that MDE paid \$2.1 million to nine grantees with past-due reports and \$1.9 million to three additional grantees that did not submit required progress reports at all, in violation of this policy. MDE paid an additional \$802,000 to eight grantees who submitted progress reports, but MDE did not document the date on which they submitted the progress reports in question. Without proper documentation, we could not determine whether the \$802,000 MDE paid to the grantees was in alignment with OGM policy.

MDE Payments to Grantees with Past-Due or Missing Progress Reports

Type of Progress Report	MDE Payments (in millions)
Past-due progress reports	\$2.1
Missing progress reports	1.9
Unknown submission date	<u>0.8</u>
Total	\$4.8

MDE did not conduct monitoring visits for the majority of grants in our review.

According to OGM policy, 15 of the 16 MDE grants in our review required at least one monitoring visit during the grant lifetime, and 13 required annual monitoring visits.¹⁸ OGM policy states that, although visits may be made in-person or by telephone, it

¹⁶ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-09, *Policy on Grant Progress Reports*, issued December 8, 2008, 1.

¹⁷ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021; and Operating Policy and Procedure 08-09, *Policy on Grant Progress Reports*, issued December 8, 2008, 1. The only exception to the policies is if the state agency has given the grantee a written extension.

¹⁸ State agencies must conduct at least one monitoring visit before final payment is made on grants over \$50,000; state agencies must conduct at least annual monitoring visits on grants over \$250,000. The remaining grantee’s grant award amount was below the \$50,000 threshold and therefore did not require a monitoring visit. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1.

recommends that they occur in person whenever possible. The policy also states that the monitoring visits should include a review of progress against the grant's goals, and a discussion of any problems. MDE did not provide evidence it conducted monitoring visits for 14 of the 15 grants that required monitoring visits. For the one grantee for which MDE provided monitoring documentation, MDE staff did not use a standardized form to document the visit as OGM policy recommends. Instead, the grant manager documented the visit with handwritten notes. MDE acknowledged that it has not established a standard process for staff to document a monitoring visit.

Closeout Stage

OGM policy requires state agencies to review grantees' performance at the end of the grant lifecycle and to make the results of that review available to other state agencies upon request.¹⁹ MDE staff use a grant closeout evaluation template that contains the data elements required in OGM policy.

MDE completed closeout evaluations for a majority of the grants in our review only after multiple OLA requests.

An MDE official told us that MDE grant managers typically complete closeout evaluations within 30 days of the grant end date. However, after we twice requested grant closeout documentation, first in late June 2022 and again in late August 2022, MDE acknowledged that staff had not completed closeout evaluations for the grants in our review.

OLA and MDE also discussed the lack of grant closeout evaluations during a meeting in late October. After this meeting, MDE completed and provided to OLA grant closeout evaluations for 13 of the 16 grants in our review. MDE completed the closeout evaluation for 1 grant 16 months after it ended, and the department completed evaluations for the remaining 12 grants 4 months after they ended.

In addition to completing the closeout evaluations at least four months after the grants ended, the 13 closeout evaluations MDE provided were nearly identical. MDE did not document any issues with grantee performance, even when such documentation would have been warranted. For example, all of the closeout evaluations indicated that progress reports were, for the most part, submitted on time. However, 9 of those 13 grantees from which MDE collected progress reports submitted multiple reports late, and 2 grantees did not submit required reports at all.

RECOMMENDATIONS

MDE should:

- **Create agency-specific grants management procedures that provide more specific direction to grant managers.**
 - **Ensure grant managers comply with all OGM policies.**
-

¹⁹ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-13, *Policy on Grant Closeout Evaluation*, revised December 2, 2016, 1. This policy applies to grants of more than \$5,000.

In the previous sections, we described how MDE’s lack of clear, agency-specific grants management procedures contributed to a lack of consistency in the management of grants within our review. It may have also contributed to the instances of noncompliance with OGM policies. MDE should develop detailed grants management procedures to provide MDE grant managers with clear guidance on how the department expects managers to comply with OGM policies. These procedures should provide MDE supervisors with clear standards against which to review grant managers’ activities and clearly indicate how supervisors will ensure grant managers comply with the procedures.

MDE must also ensure its staff comply with OGM policies. In particular, MDE should ensure its staff provide legislatively named grants with the same level of oversight as other grants, as required by OGM policy. MDE’s lack of compliance with OGM policies related to pre-award financial reviews, progress reporting, monitoring visits, and payments leaves the department vulnerable to potential misuse of funds. Without completing these activities as required, the department may not be able to recognize and resolve potential programmatic or financial issues. It also leaves MDE at risk of not identifying whether grantees are meeting program goals and, in turn, not providing appropriate support.

Department of Public Safety (DPS)

DPS provided a total of roughly \$134 million in state-funded grants to nonprofit organizations through about 29 grant programs in fiscal years 2018 through 2022. DPS provided this grant funding to 196 nonprofit organizations. Among these organizations, the largest percentage focused on human services (37 percent), followed by legal services organizations (11 percent), and hospitals and clinics (6 percent).²⁰

DPS provided an annual average of about **\$27 million** in state-funded grants to nonprofit organizations in fiscal years 2018 through 2022.

At the direction of the Legislative Audit Commission, we focused our work on DPS’s Office of Justice Programs (OJP). OJP provides grants, technical assistance, research, and leadership to organizations that focus on direct services and advocacy for victims of sexual assault, general crime, domestic violence, and child abuse. OJP also provides grants to organizations to prevent and control crime and improve how the criminal and juvenile justice systems function. OJP managed 24 of the 29 DPS grant programs and 99 percent of the department’s total grant funding in fiscal years 2018 through 2022.

Nonprofit Organizations Receiving the Most State Grant Funding from DPS, Fiscal Years 2018-2022

Nonprofit Organization	DPS Grant Expenditures (in millions)
Cornerstone Advocacy Service	\$7.3
Tubman	6.8
360 Communities	5.4
Women of Nations	5.4
Alexandra House, Inc.	5.2

²⁰ More than one-third of the remaining 46 percent of nonprofit organizations did not report the nature of their work in the data we reviewed; the remaining organizations were distributed among a dozen other types of work.

DPS Procedures

DPS has established agency specific procedures for managing grants that address most OGM policies, but some procedures are not sufficiently detailed.

DPS procedures at least partially address the majority of grants management requirements set forth in OGM policies. For example, DPS policies direct grant managers to review individual conflict of interest forms for grant reviewers and complete required pre-award financial reviews. They also require that grantees submit and that DPS staff review progress reports, instruct DPS staff to withhold payments to grantees when progress reports are past-due, and direct DPS staff to complete closeout reviews using a specified template. All of these activities are required by OGM policies.

Although many DPS procedures align with OGM policies, not all are sufficiently detailed to ensure DPS staff complete grants management duties in a consistent manner. DPS procedures do not, for example, explicitly indicate how staff are expected to identify and remedy organizational conflicts of interest. They also do not provide specific direction for awarding and managing single/sole source grants. Without sufficient direction on how to complete these activities, grant managers may complete the activities inconsistently. In addition, DPS supervisors do not have consistent standards to which they can hold grant managers accountable.

Similarly, DPS procedures do not provide specific instructions for resolving financial concerns or documenting grantee performance issues. This lack of instruction can lead to inconsistency in grants management. For example, we reviewed a sample of DPS grant files and found that DPS noted concerns with one grantee's internal controls in the pre-award financial review. However, DPS staff did not document how the concerns were resolved or provide any other indication of how the concerns were mitigated.

DPS Compliance with State Grants Management Requirements

To determine DPS's compliance with OGM policies, we reviewed DPS grant files for a sample of 23 grants worth a total of \$2.7 million for fiscal years 2020 and 2021. We selected 20 grants that DPS awarded through a competitive process and 3 grants awarded to two grantees that DPS indicated were named by the Legislature. OJP managed all of the grants in our review.

Based on our review, DPS largely complied with OGM policies but could make improvements.

DPS complied with most OGM policies we reviewed for the majority of grants in our sample. We provide additional details in the following sections.

Pre-Award Stage

As previously mentioned, prior to awarding a grant, under certain circumstances OGM policy requires state agencies to complete a financial review that assesses a grantee's financial stability.²¹ In addition, OGM policy requires state agencies to use a competitive process to award grants if more than one entity can meet the grant's purpose.²² If the state agency awards a single/sole source grant, the agency must document why the grantee is the only entity that can meet the grant's purpose.

DPS conducted pre-award financial reviews for a majority of the grants we reviewed, but did not complete required documentation for single/sole source grants.

DPS completed and documented pre-award financial reviews for 22 of the 23 grants in our sample. In addition, DPS documented that it had reviewed the financial documents required by OGM policy in each of the 22 reviews.²³

At the same time, DPS did not properly document its decisions to award grants to specific nonprofit organizations (single/sole source grants), as required. In grants data provided by DPS for fiscal years 2020 and 2021, the department indicated that several grants were legislatively named. However, the Legislature did not name those grantees in appropriations law. A DPS official told us that the department awarded these grants based on what staff understood to be "legislative intent." However, OGM policy requires state agencies to conduct a competitive award process or document their justification for awarding a single/sole source grant when no grantee is named in law.²⁴

Active Grant Stage

DPS complied with most OGM policies for monitoring active grants.

DPS conducted monitoring visits for 22 of the 23 grants within our review, in compliance with OGM policy.²⁵ In addition, the department specified in grant contract agreements or other documents a schedule for submitting progress reports, collected

²¹ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

²² Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-07, *Policy on Single and Sole Source Grants*, revised June 18, 2012, 1. State agencies must complete proper documentation for all grants over \$5,000.

²³ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

²⁴ Justification is required for single/sole source grants of more than \$5,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-07, *Policy on Single and Sole Source Grants*, revised June 18, 2012, 1; and Operating Policy and Procedure 08-11, *Policy on Legislatively Mandated Grants*, issued December 18, 2008, 1.

²⁵ For the remaining grantee, DPS was required to conduct annual monitoring visits but conducted only one visit during the two-year grant period.

most (96 percent) of the required progress reports, and documented that DPS staff completed the required reviews of the progress reports.

Although DPS collected most of the required progress reports, grantees submitted at least half of their progress reports late for 13 of the 23 grants. In addition, one grantee submitted progress reports less frequently than the quarterly basis that was stipulated in their grant contract agreements. A DPS official told us that the grant manager gave the grantee permission to modify the reporting schedule, but did not amend the contract agreements or document their decision.

DPS paid nearly \$580,000 to grantees with past-due progress reports, in violation of OGM policy.

OGM policy directs state agencies to withhold payments to grantees that have past-due progress reports.²⁶ Although DPS complied with this requirement for a majority of the payments within our review, the department paid nearly \$580,000 to 11 grantees that had not yet submitted progress reports in accordance with schedules outlined in their grant contract agreements. This included more than \$378,000 in payments to the grantee to whom DPS had given verbal permission to modify their reporting schedule from the quarterly reports stipulated in their grant contract agreements.

DPS conducted only about one-half of the required financial reconciliations.

We also noted previously that OGM policy requires state agencies to conduct a financial reconciliation of grantees' expenditures at least once on grants over \$50,000 before making the final payment.²⁷ However, DPS conducted financial reconciliations for only 11 of the 21 grants for which financial reconciliations were required.²⁸ DPS indicated the lack of compliance with this requirement was due, at least in part, to staffing issues at the state agency.

Closeout Stage

DPS completed required closeout evaluations for all of the grants we reviewed.

DPS completed closeout evaluations for 22 of the 23 grants in our review. DPS could not complete a closeout evaluation for the remaining grant because it was extended to June 30, 2023, and therefore had not yet ended at the time this report was published.

²⁶ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1. State agencies may provide written extensions.

²⁷ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1.

²⁸ Two of the DPS grants within our review totaled less than \$50,000 each and, therefore, did not require a financial reconciliation.

OGM policy requires closeout evaluations to include certain elements, where applicable.²⁹ For the grants we reviewed, DPS used a template that contained a majority of the elements required by OGM policy. However, the template did not include information about additional conditions placed on the grant as a result of the pre-award financial review process (where applicable), nor did it include the grant description and purpose, as required. A DPS official told us that the department had recently revised its grant closeout evaluation template to include all of the data elements required in OGM policy and indicated the department is using that template going forward.

RECOMMENDATIONS

DPS should:

- **Revise and formalize its grants management procedures to include greater specificity and direction.**
- **Ensure grant managers fully comply with all OGM policies.**

OJP has adopted several formal grants management procedures that have helped the division ensure grants management staff comply with most OGM policies we reviewed. However, some of the procedures lack specificity that could help grant managers ensure that they document financial or performance concerns and take corrective action as needed. We noted that we reviewed one grant file in which DPS staff identified concerns with the grantee's internal controls during the pre-award financial review, but staff did not indicate they had taken action to mitigate the risk those concerns may have posed. Given the lack of documented action in this case, it is unclear to us what kinds of deficiencies would cause DPS to require additional monitoring. Clearer guidance from DPS could help ensure grant managers complete their duties in a consistent manner and properly safeguard grant funding.

In addition, DPS should ensure that its grant managers comply with all OGM policies. In particular, the department should complete financial reconciliations as required. These reconciliations can ensure grant activities and expenditures align with the objectives and expected outcomes of the grants. By not conducting financial reconciliations, DPS may not always identify potentially ineligible expenses, and may leave grants open to misuse or abuse.

²⁹ State agencies must conduct closeout evaluations for grant awards of over \$5,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-13, *Policy on Grant Closeout Evaluation*, revised December 2, 2016, 1.



OLA

Chapter 3: Grants Management Policies

Comprehensive grants management policies can help promote accountability and improve grant outcomes. They can establish a minimum level of financial oversight to reduce opportunities for fraud and abuse. They can also help ensure programmatic oversight by requiring grant managers to review progress towards grant goals during the life of the grant and to provide assistance when needed.

The Legislature directed the Minnesota Department of Administration (Admin) to develop grants management policies that state agencies must follow in their administration of state-funded grants.¹ Admin's Office of Grants Management (OGM) developed these policies and acts as an ongoing point of reference for state agencies in implementing these policies.

In this chapter, we discuss the comprehensiveness of OGM grants management policies. We then offer a recommendation to improve OGM policies.

Comprehensiveness of Minnesota Grants Management Policies

Assessing the comprehensiveness of OGM policies is difficult. Academic literature on best practices in grants management is scarce, particularly for state agency oversight of state-funded grants to nonprofit organizations. Further, there is little empirical evidence to support the adoption of nationally recognized, standard best practices in grants management. Therefore, we assessed the comprehensiveness of OGM policies in three ways: (1) we conducted a literature review to identify grants management practices recommended by national organizations and compared OGM policies to these practices for each stage of the grant lifecycle, (2) we reviewed grants management requirements established by select other states and compared OGM policies to these states' requirements, and (3) we surveyed state agency staff and asked for their opinions on the comprehensiveness of OGM policies.

OGM policies establish many practices that are important for effective grants management, but they generally lack sufficient detail for state agencies on how best to implement them.

In the following sections, we discuss how OGM policies cover many key aspects of grants management. We also identify ways in which the policies lack detail that could improve their efficacy.

¹ *Minnesota Statutes* 2022, 16B.97, sub. 4(a)(1). For simplicity, we use "state agencies" to refer to executive branch entities that make grants. State agencies may include executive branch agencies, boards, commissions, councils, authorities, and task forces.

Recommended Practices in Grants Management

We identified approximately 90 grants management practices that federal agencies and national organizations recommend agencies implement in their administration of grant programs.² We grouped similar practices together to identify 24 broad recommended practices in grants management. We reviewed OGM policies against these practices to determine the extent to which OGM policies reflect them.

OGM policies reflect, in part, 17 of 24 broad recommended practices in grants management (see Appendix D). However, the recommended practices that we identified often provided specific direction on how best to implement them—specificity that OGM policies generally lack. Further, OGM policies do not include some recommended practices that we identified.



OGM policies partially reflect
17 of **24**
broad recommended practices
we identified in grants management.

In the following sections, we provide detailed examples of recommended practices for each of the three stages of the grant lifecycle: pre-award, active grant, and closeout. We also discuss the extent to which OGM policies reflect these practices.³ Because these practices typically have not been rigorously studied to determine their effectiveness, we offer these examples for consideration, rather than recommend that Minnesota implement each identified practice.

Pre-Award Stage

OGM has established policies that partially align with recommended practices intended to ensure agencies provide funds to grantees that can meet program objectives.

OGM policies reflect many pre-award activities that organizations in our review recommend. OGM has established policies that ensure state agencies document potential conflicts of interest, use a competitive process and review criteria to select grantees, and review grantees' financial capacities to carry out the agreed upon work. However, OGM policies do not incorporate other recommended practices for pre-award activities. We provide examples below.

Develop risk assessments. Two organizations in our review recommend that agencies complete a risk assessment prior to awarding a grant contract. For example, the U.S. Department of Justice, Office of the Inspector General (OIG) recommends that agencies identify red flag indicators, or concerns, with a potential grantee during the application process, as shown in the box on the following page. The U.S. Department

² We conducted a literature review to identify grants management practices that federal agencies and national organizations have broadly identified as promising, leading, or recommended to improve grant oversight. For simplicity, we refer to these as “recommended practices.” We reviewed reports from the National Grants Management Association, The Pew Charitable Trusts, the U.S. Government Accountability Office, and the Urban Institute, among others, and included 20 reports in our analysis. We use the term “organizations” to refer to the federal agencies and national organizations that were part of our review. We provide additional information on our methodology and the recommended practices that we identified in Appendix D.

³ Some recommended practices may apply to more than one stage of the grant lifecycle.



Red Flag Indicators

- Inadequate financial management system
- Inadequate internal controls
- Inadequate separation of cash-related duties
- No written accounting procedures
- No inventory system
- No risk assessment process
- No records retention policy
- Prior grant mismanagement
- Prior fraud

— U.S. Department of Justice,
Office of the Inspector General

of Justice OIG recommends that, for example, agencies identify whether grantees have inadequate separation of cash-related duties or inadequate internal controls.⁴

Based on a risk assessment—and the existence or not of red flags—the U.S. Department of Justice OIG recommends placing grantees into different categories of risk for which different levels of monitoring may be required.⁵ For example, agencies could conduct background checks that include verifying proper tax withholdings for high-risk grantees.⁶ As another example, agencies could require that high-risk grantees maintain separate bank accounts for grant funds in order to reduce grantees' abilities to hide the improper use of grant funds.⁷

OGM policies only partially reflect organizations' recommendations for completing risk assessments prior to awarding a grant. OGM policy requires state agencies to conduct a financial review of specific organizations prior to awarding certain grants.⁸ According to policy, state agencies must note in the grant file which financial documents staff reviewed and whether staff identified concerns. However, the policy requires agencies to identify few red flag indicators, and it does not require state agencies to increase monitoring for high-risk grantees, as described above. While OGM policy *recommends* that state agency staff build in additional grant supports if staff find concerns during the financial review, it does not *require* staff to do so. OGM policy also applies only to grant awards that meet a certain financial threshold.⁹

Establish performance measures. Several organizations in our review recommend that agencies establish clear performance measures for grant programs. For example, the U.S. Department of the Interior OIG recommends that agencies establish measures that are specific, measurable, attainable, results-oriented, and timely.¹⁰ The U.S. Department of Justice OIG further recommends that performance measures reflect legislative intent and program objectives.¹¹ As another example, The Pew Charitable

⁴ United States Department of Justice, Office of the Inspector General, *Improving the Grant Management Process* (Washington, DC, February 2009), 2-4.

⁵ *Ibid.*, 4.

⁶ *Ibid.*, 3.

⁷ *Ibid.*, 4.

⁸ Before awarding a grant over \$25,000 to a nongovernmental organization, state agencies must review certain financial information. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

⁹ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

¹⁰ United States Department of the Interior, Office of Inspector General, *Framework Needed to Promote Accountability in Interior's Grants Management* (Washington, DC, August 2005), 14.

¹¹ United States Department of Justice, Office of the Inspector General, *Improving the Grant Management Process* (Washington, DC, February 2009), 2.

Trusts recommends that performance measures accurately gauge performance and be included in grant contracts when feasible.¹²

OGM policies do not require state agencies to establish clear performance measures in grant notices or include them in grant contract agreements. While OGM policy requires state agencies to include expectations for grant outcomes in certain grant notices, it does not require state agencies to include how those outcomes could be measured.¹³

Active Grant Stage

OGM has established some policies that reflect recommended practices for regularly monitoring grantees' performance.

OGM policies partially align with a number of recommended practices for monitoring active grants. OGM policies provide little specific direction on how state agencies must monitor grantees, in contrast to the more detailed recommended practices we identified. We provide examples below.

Establish clear reporting requirements. Some organizations in our review recommend that agencies establish clear reporting requirements. For example, the U.S. Department of Justice OIG recommends that grantees report expenditures by line item against their budget so that spending is transparent.¹⁴ The National Grants Management Association (NGMA) recommends that agencies require grantees to periodically report program results so that agencies may track progress.¹⁵ NGMA describes how periodic reporting allows for regular opportunities to make adjustments if needed. This practice could also reduce the risk of wasted grant funding on initiatives that are not effective. The Government Finance Officers Association (GFOA) recommends that agencies establish standards for reports, including requirements for timely reporting.¹⁶

OGM policies broadly align with organizations' recommendations for establishing clear reporting requirements. However, while OGM policy requires state agencies to obtain written progress reports annually, long periods between reports could make it difficult to

¹² The Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation, Pew-MacArthur Results First Initiative, *Evidence-Based Policymaking: A Guide for Effective Government* (Washington, DC, and Chicago, IL, November 2014), 9-10.

¹³ State agencies must include certain information in notices for competitive grants worth more than \$5,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-03, *Policy on Writing and Publicizing Grants Notices and Requests for Proposal*, revised September 15, 2017.

¹⁴ United States Department of Justice, Office of the Inspector General, *Improving the Grant Management Process* (Washington, DC, February 2009), 5.

¹⁵ Subhash, Kari, National Grants Management Association, *Industry Insight: 5 Fixes for Grants Management* (Sterling, VA), 3, https://www.ngma.org/index.php?option=com_dailyplanetblog&view=entry&category=grants-guidance&id=13:industry-insight-5-fixes-for-grants-management, accessed May 23, 2022.

¹⁶ Government Finance Officers Association, *Best Practices: Grants Administration* (Chicago, IL, May 31, 2013), 4-5.

track a program's progress.¹⁷ In addition, the policy contains no minimum requirements for the content of progress reports; rather, the policy allows each state agency to establish the format and content requirements of progress reports in the grant agreement.

Conduct site visits. Multiple organizations in our review recommend that agencies conduct visits onsite and under specific circumstances. For example, the U.S. Department of Justice OIG recommends conducting site visits early in the grant program to ensure grantees maintain accurate records and to catch any potential problems.¹⁸ The U.S. Department of Justice OIG recommends that agencies conduct site visits for new grantees; the department also recommends that agencies conduct site visits for grantees that have been designated as high-risk from a prior risk assessment within 30 days of the start of the grant.¹⁹ The U.S. Department of the Interior OIG recommends that agencies use a standardized monitoring tool to ensure the agencies periodically complete site visits for each grantee.²⁰

OGM policies only partially meet this recommended practice. OGM policy requires state agencies to conduct a monitoring visit for certain grantees during the grant period.²¹ The policy does not *require* state agencies to conduct visits onsite, as described above, though it is recommended. Rather, the policy allows state agencies to monitor grantees by phone. Additionally, the policy applies only to grant awards that meet a certain financial threshold. OGM policy also allows state agencies to develop a plan to conduct monitoring and financial reconciliation for a sample of grants for grantees with whom the state agency has multiple grant contract agreements. Additionally, the policy does not specify at what point during the grant state agencies must conduct monitoring visits, meaning that state agencies could choose to conduct them at the end of the grant period, rather than early in the grant period. Finally, OGM policy *recommends* that state agencies use a standardized form and procedures for monitoring visits, but the policy does not *require* state agencies to do so.

Monitor grant implementation. Numerous organizations in our review recommend that agencies increase their monitoring of grant awards. In addition to site visits, the U.S. Department of the Interior OIG recommends agencies convene periodic meetings with grantees, record progress towards grant goals, and assess the need for corrective action when needed.²² Furthermore, the GFOA recommends that agencies establish a

¹⁷ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-09, *Policy on Grant Progress Reports*, issued December 8, 2008, 1.

¹⁸ United States Department of Justice, Office of the Inspector General, *Improving the Grant Management Process* (Washington, DC, February 2009), 4.

¹⁹ *Ibid.*, 6.

²⁰ United States Department of the Interior, Office of Inspector General, *Framework Needed to Promote Accountability in Interior's Grants Management* (Washington, DC, August 2005), 9.

²¹ State agencies must conduct at least one monitoring visit before final payment is made on grants over \$50,000; state agencies must conduct at least annual monitoring visits on grants over \$250,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1.

²² United States Department of the Interior, Office of Inspector General, *Framework Needed to Promote Accountability in Interior's Grants Management* (Washington, DC, August 2005), 9.

grants oversight committee.²³ The GFOA describes how the committee could analyze how a grant will be monitored and whether the proper resources are in place to support the grant before deciding whether to accept or renew a grant. The NGMA recommends that agencies establish cross-functional grant teams, and that each team collectively oversees several grants.²⁴ Additionally, The Pew Charitable Trusts recommends that agencies regularly verify grantees' performance data, and the U.S. Department of Justice OIG recommends that agencies regularly audit grant programs to detect grant misuse and waste of funds.²⁵

OGM policies only minimally align with the monitoring activities described in the previous paragraph. As noted previously, OGM policy requires that state agencies conduct at least one monitoring visit during the grant period for certain grants.²⁶ OGM policies do not require state agencies to hold periodic meetings with grantees, track progress, or assess the need for corrective action. Additionally, Minnesota does not have an interdisciplinary grants oversight committee and agencies are not required to verify grantees' data.

Closeout Stage

OGM has established few policies that incorporate recommended practices for ensuring state agencies determine whether grantees have met the goals of the grant.

OGM has established only one policy for closing out grants, which does not reflect several of the recommended practices we identified for this grant stage. We provide examples below.

Establish closeout procedures. Two organizations in our review recommend that agencies establish closeout procedures, which may help mitigate the risk of misusing grant funds. For example, the U.S. Government Accountability Office (GAO) recommends that agencies close out grants in a timely manner so that unused funds may be redirected to other projects.²⁷ GAO describes how timely closeout helps ensure that grantees comply with all financial and reporting requirements.

²³ The committee could consist of auditors, grants managers, division leaders, and subject matter experts. Government Finance Officers Association, *Best Practices: Establishing a Grants Administration Oversight Committee* (Chicago, IL, January 31, 2015), 1-2.

²⁴ Subhash, Kari, National Grants Management Association, *Industry Insight: 5 Fixes for Grants Management* (Sterling, VA), 2, https://www.ngma.org/index.php?option=com_dailyplanetblog&view=entry&category=grants-guidance&id=13:industry-insight-5-fixes-for-grants-management, accessed May 23, 2022.

²⁵ The Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation, Pew-MacArthur Results First Initiative, *Evidence-Based Policymaking: A Guide for Effective Government* (Washington, DC, and Chicago, IL, November 2014), 15; and United States Department of Justice, Office of the Inspector General, *A Guide to Grant Oversight and Best Practices for Combating Grant Fraud* (Washington, DC, February 2009), 5.

²⁶ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1.

²⁷ Comptroller General of the United States, Government Accountability Office, *Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts* (Washington, DC, May 2013), 12-13.

OGM policy does not establish specific grant closeout procedures.²⁸ The policy does require state agencies to consider a grantee's past performance prior to awarding certain grants.²⁹ However, OGM policy does not establish a format or timeframe in which state agencies must conduct closeout evaluations. While the policy requires state agencies to share grant closeout evaluations with other state agencies, state agencies must do so only upon request. The policy does not require state agencies to provide this information proactively or within a certain period of time.

Report on grant performance. Several organizations in our review recommend that agencies report on grant performance. For example, GAO recommends that agencies report performance of grant programs to policymakers.³⁰ The Pew Charitable Trusts recommends that agencies develop a report card that contains performance data on grant programs for policymakers.³¹ Additionally, the Urban Institute describes how enhanced reporting requirements for grant programs could better demonstrate statewide achievements.³²

OGM policies do not require state agencies to report on grant program performance. Specifically, neither statutes nor OGM policies require state agencies to submit comprehensive performance information on grant outcomes to policymakers. While the Legislature may require state agencies to report on certain grant programs, there are no statewide requirements for state agencies to report on agency-wide grant performance.

Grants Management in Other States

We used several methods to identify other states that have a central grants management office and statewide grants management requirements. We requested information on centralized grants management offices or statewide requirements through two national professional organizations. In addition, we requested from OGM a list of other states with grants management offices and the responsibilities held by these offices. Last, we identified several other states that met our criteria through our own review and through conversations with staff from other states.

Based on our review, Minnesota is one of fewer than a dozen states that have established a central grants management office and developed statewide grants management requirements.

²⁸ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-13, *Policy on Grant Closeout Evaluation*, revised December 2, 2016.

²⁹ State agencies must consider a grant applicant's performance on prior grants from that agency before making a new grant award of more than \$5,000. *Ibid.*, 1.

³⁰ Comptroller General of the United States, Government Accountability Office, *Foreign Assistance: Federal Monitoring and Evaluation Guidelines Incorporate Most but Not All Leading Practices* (Washington, DC, July 2019), 8.

³¹ The Pew Charitable Trusts and John D. and Catherine T. MacArthur Foundation, Pew-MacArthur Results First Initiative, *Evidence-Based Policymaking: A Guide for Effective Government* (Washington, DC, and Chicago, IL, November 2014), 16.

³² Fyffe, Saunji, D., Urban Institute, *Nonprofit-Government Contracts and Grants: The State Agency Perspective* (Washington, DC, October 2015), 23.

We compiled a list of 14 states with a grants management office and/or grants management requirements, as shown in the table below.³³ Of those 14 states, 11 have a state grants management office. Similarly, 12 (including 9 that also have a grants management office) have statewide grants management requirements either in policy or state law.

Central Grants Management in Other States

State	State Grants Management Office ^a	Grant Policies ^b	Grant Requirements in Law ^c
Arizona	✓	✓	
Colorado	✓	✓	✓
Delaware	✓	✓	
Florida			✓
Illinois	✓	✓	✓
Maine	✓		
Maryland	✓		
Montana			✓
Nevada	✓	✓	✓
New Jersey	✓	✓	
North Carolina	✓		✓
Pennsylvania	✓	✓	
Texas	✓	✓	✓
West Virginia			✓

^a We use the term “office” to refer to any government agency, office, unit, or division that is responsible for overseeing grants management activities.

^b Grant policies may pertain to state grants, federal grants, or both.

^c We use the term “law” to refer to state law or administrative rules. States may have statewide grants management requirements and agency-specific requirements.

We selected 3 of the 12 states that have adopted statewide grants management requirements in policy or law (Illinois, North Carolina, and Texas) and reviewed those requirements. All three states also have a state grants management office. We reviewed these states’ grants management requirements and determined the extent to which they are similar to Minnesota’s OGM policies.

OGM policies contain many requirements similar to those of other states that we reviewed, but they differ in a few significant ways.

For example, OGM policy requires that state agencies identify and document potential conflicts of interest during the grant application process. All three states in our review have a similar requirement. Similarly, OGM policy requires that state agencies receive written progress reports from grantees to monitor grant activities. All three states in our review also require grantees to submit progress reports.

³³ In total, we received information on 15 states. We did not conduct an exhaustive search of all other states’ statutes and policies; as a result, it is possible that some of the remaining 35 states may have relevant offices or requirements.

Based on our review, only 2 of the 13 OGM policies were entirely unique to Minnesota. OGM policies specifically require state agencies to use competitive grant-making processes as much as possible and establish requirements to systematize the competitive process. None of the three states in our review require grant-making agencies to use a competitive process as much as possible. Additionally, OGM policy requires that state agencies monitor legislatively named grants in the same manner as competitive grants. No states in our review have a similar requirement.

On the other hand, the states that we reviewed require activities that OGM policies do not. For example, Illinois requires that agencies include specific evaluation criteria when reviewing competitive grant applications. The criteria include identifying the need, quality, and capacity of the applicant to support the purpose of the grant program. Additionally, Illinois requires that agencies provide written documentation for grant awards based on the evaluation criteria set forth in the grant application and the applicant's completion of all pre-award requirements. As another example, North Carolina requires that grantees file with the agency, or department disbursing funds to the grantee, a written statement stating that the grantee does not have any overdue tax debts. Lastly, Texas requires that grant closeout reports be submitted within 90 days after the end date of the grant period.³⁴

State Agency Staff Assessment

We surveyed members of Minnesota's Grants Governance Committee to learn about their experiences implementing OGM policies.³⁵ We asked members their opinion of how comprehensive OGM policies are, overall.

While most state agency staff we surveyed indicated that OGM policies were comprehensive and provide sufficient direction, some staff indicated a preference for more specific policies.

Nearly all Grants Governance Committee members we surveyed indicated that OGM policies were at least somewhat comprehensive. For example, one member commented that, "OGM policies provide a good balance between standardizing grant management, and providing flexibility for individual agencies and programs to respond to their own unique circumstances." Another member mentioned that OGM policies provide appropriate overall guidance.

95%
of Grants Governance
Committee members we
surveyed indicated OGM
policies were at least
somewhat comprehensive.

³⁴ This requirement applies only to certain grant contracts.

³⁵ The Grants Governance Committee works in partnership with OGM to improve the state's grant-making practices. The committee includes members from state grant-making agencies and key grantee constituencies. State agency Grants Governance Committee members are central points of contact for grant administration at their agencies. We surveyed, and received responses from, all 40 state agency staff members of the Grants Governance Committee.

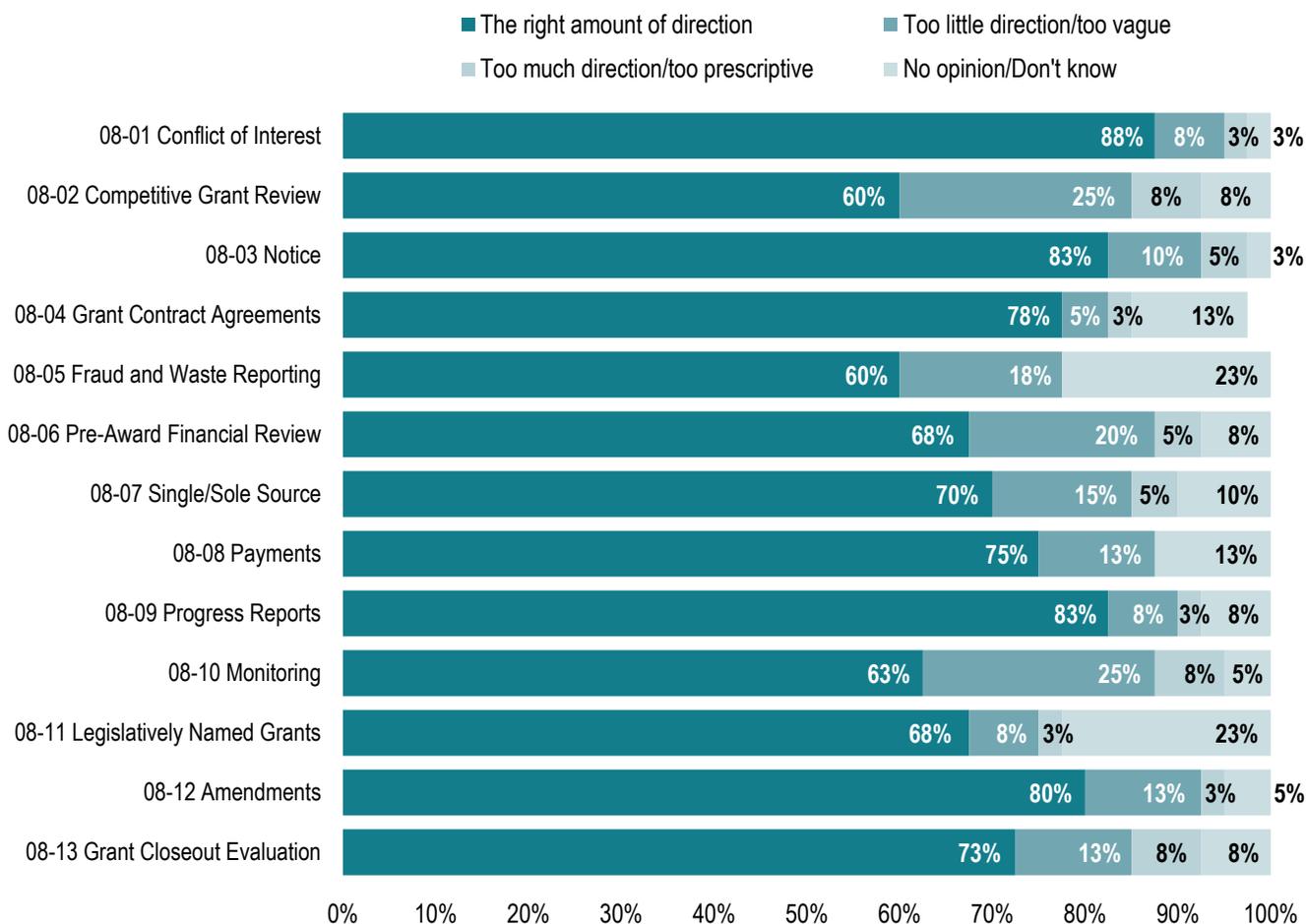
Additionally, we asked the members of the Grants Governance Committee how much direction each OGM policy provides when managing state-funded grants. The majority of members we surveyed responded that OGM policies provide the right amount of direction. However, several members indicated that there is too little direction for each policy, as shown in the graph below. Grants Governance Committee members we surveyed most commonly told us that they would prefer to have more specificity in OGM policies. For example, one member noted that OGM policy does not specify how to handle violations of grant terms and conditions. Another member stated that they would like an expansion on the requirements related to grant payments, grant progress reports, and grant monitoring.



The monitoring and financial reconciliation plan can be very confusing to folks - this could be modified for clarity.

— State Agency Official

Most Grants Governance Committee members we surveyed indicated that OGM provided the right amount of direction for OGM policies when managing state-funded grants.



Note: Percentages do not sum to 100 due to rounding.

Recommendation

Statutes authorize Admin to review statewide grants management practices and propose improvements.³⁶ While OGM has three staff, only one staff person is dedicated to OGM's responsibilities for statewide grants management policies. The OGM director told us that OGM revises policies on an ad hoc basis. The director explained that policies may be revised in response to certain variables, such as trends in audit findings or requests for exceptions to policies. This type of spot review makes it difficult to consider the policies holistically and determine how effective and comprehensive they are, statewide. After nearly 15 years in existence, we believe it is important for OGM to consider ways to strengthen its policies as a whole.

RECOMMENDATION

OGM should strengthen its grant management policies and provide more specific guidance to state agencies on how to implement the policies.

OGM policies broadly align with many recommended practices; however, they often lack specificity and provide too much discretion for state agencies in how to implement them. In some instances, OGM policies do not include recommended practices. We do not believe it is necessary to adopt all of the recommended practices detailed in Appendix D. But, to create more comprehensive statewide grants management policies, OGM should consider adopting some of them. At a minimum, OGM should consider adding the following practices to current policies.

- **Complete a risk assessment.** OGM policy for pre-award financial reviews could be strengthened by adopting certain practices described previously, such as defining red flag indicators. OGM policy could be further modified to require increased monitoring for grantees that exhibit these indicators.
- **Conduct site visits.** OGM monitoring requirements could be improved by including more proactive actions. We noted that, while OGM policies require *monitoring* visits for certain grants, they do not require *site* visits; instead, under the current policy, monitoring visits may be completed by telephone. Because some issues can be best identified by viewing the actual space in which grantees provide their services, OGM policy should require in-person *site* visits.
- **Document financial and programmatic difficulties.** OGM policy does not specify that state agencies must document any financial or program deficiencies in reporting or how state agency staff resolved such deficiencies.
- **Establish minimum standards for progress and closeout reports.** OGM policy requires grantees to submit progress reports and state agency staff to review the reports. However, the policy does not specify any required content for the progress reports. Furthermore, OGM grant closeout policy could be strengthened by requiring that state agencies document grantee performance in a specific format and within a certain time period, and make that data publicly available.

³⁶ *Minnesota Statutes* 2022, 16B.97, subd. 3(1).

OGM should work with the Grants Governance Committee and other external partners in considering these and other changes. Both OGM and the Legislature should consider the impact any policy changes may have on state agencies' administration of state-funded grants, as well as the impact policy changes may have on nonprofit organizations. Additions to the current policies may create greater administrative burden for state agencies and nonprofit grantee organizations, and they may require a commensurate resource investment from the Legislature.

Chapter 4: Accountability

In Chapter 3, we highlighted ways in which Office of Grants Management (OGM) policies could be improved to strengthen grants oversight. However, policies are only effective if state agencies implement them. In Chapter 2, we described instances in which two state agencies have not. These instances are consistent with noncompliance the Office of the Legislative Auditor (OLA) has found in recent years across numerous state agencies.¹ In this chapter, we discuss systemic concerns regarding grants oversight in Minnesota and examine options for increasing compliance and improving accountability.

Systemic Noncompliance with Requirements

In recent years, OLA has identified pervasive noncompliance with OGM policies.

Over the last six years, OLA has issued eight audits and two program evaluations that have analyzed state agencies' compliance with OGM policies.² In these reports, OLA identified many instances in which state agencies did not comply with OGM policies.³ Some of these findings not only recurred within a single state agency, but occurred in multiple state agencies. We provide examples of some of these findings across the three stages of the grant lifecycle below.

Pre-award stage. OLA found several instances of agencies' noncompliance with conflicts of interest requirements. In five separate reports, OLA indicated that three different agencies did not comply with state requirements to document conflicts of interest. In addition, OLA reported that three state agencies did not properly resolve conflicts of interest.

OLA also noted issues with pre-award financial review requirements. In two separate audits, OLA reported that the Department of Human Services (DHS) did not determine whether grantees were financially stable prior to awarding grants, as required by OGM policy.⁴

¹ For simplicity, we use "state agencies" to refer to executive branch entities that make grants. State agencies may include executive branch agencies, boards, commissions, councils, authorities, and task forces.

² See Appendix C for a summary of these ten OLA reports.

³ See Appendix A for a description of all OGM policies.

⁴ State agencies must review certain financial information from grant applicants that are nongovernmental organizations before awarding a grant over \$25,000. Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1; Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services: Homelessness and Housing Support Grants Performance Audit* (St. Paul, 2022), 22; and Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services: Behavioral Health Grants Management Internal Controls and Compliance Audit* (St. Paul, 2021), 22.

OLA pointed out that a lack of compliance with the OGM conflict of interest policy can leave an agency vulnerable to potential fraud and waste. In addition, a lack of compliance with the financial review policy can lead an agency to award grants to applicants that may not be situated to serve the state's interest or may not be financially capable of fulfilling the expected grant outcomes.

Active grant stage. OLA has also found several instances of noncompliance throughout the active grant stage. For example, OLA has repeatedly reported that agencies did not always: perform required financial reconciliations, conduct required monitoring visits, collect or review progress reports, or withhold payments to grantees with past-due progress reports.⁵ As we noted in Chapter 2, we found similar issues at the Minnesota Department of Education (MDE) and the Department of Public Safety (DPS).

The lack of compliance with these requirements means, among other things, that state agency grants management staff may not know whether grantees are on track to meet their program goals and whether the state agency needs to provide additional monitoring or support.

Closeout stage. Finally, OLA has reported that two agencies (in addition to MDE, as reported in Chapter 2) did not comply with OGM's requirement to conduct closeout evaluations. This has occurred twice for DHS, as reported most recently in the 2022 audit of DHS's homelessness and housing support grants and also in the 2021 DHS Behavioral Health Division audit.⁶

Without closeout evaluation reports, other grant-making agencies may not know whether grantees met their program goals, fulfilled reporting requirements, or whether any financial concerns arose during the course of the grant. This is important information not only to document, but to do so in a timely manner, as it may influence whether these grantees receive additional state-funded grants going forward.

Factors Affecting Compliance

A variety of factors may contribute to the widespread lack of compliance with OGM grants management policies. Understanding these factors will help identify methods to improve compliance. In this section, we explore two important factors: (1) the capacity of state agencies to comply with OGM policies and (2) the ability of other entities to hold state agencies accountable for complying with OGM policies.

State Agency Capacity

To improve state agencies' compliance with OGM policies, it is important to consider the barriers agencies may face. Below, we discuss four such possible barriers: reasonableness of grants management requirements, available resources, training, and grants management tools.

⁵ See Appendix C for a list of OLA reports issued since 2017 that contain these findings.

⁶ Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services: Homelessness and Housing Support Grants Performance Audit* (St. Paul, 2022), 29; and Office of the Legislative Auditor, Financial Audit Division, *Department of Human Services: Behavioral Health Grants Management Internal Controls and Compliance Audit* (St. Paul, 2021), 35.

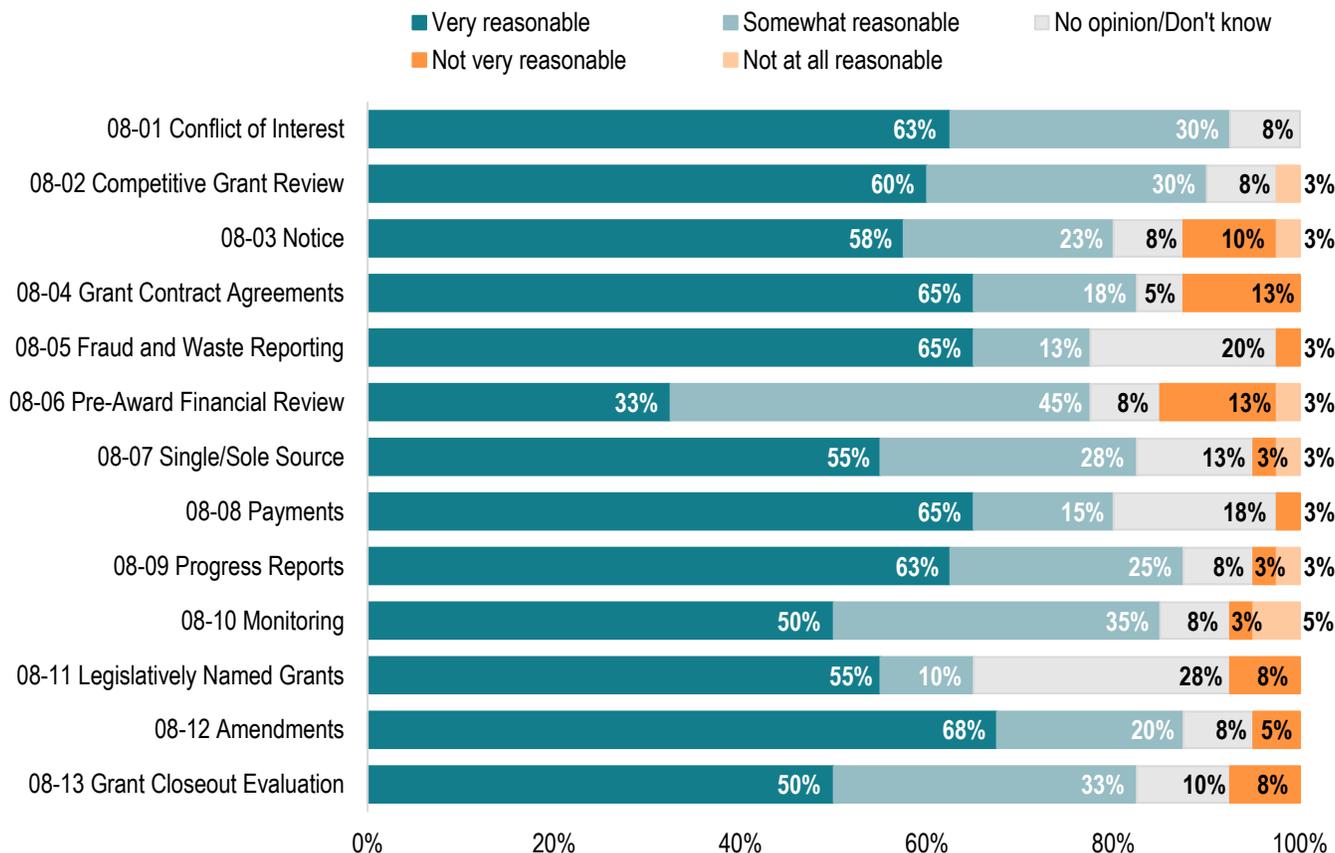
Reasonableness of Current Requirements

One factor that could affect state agencies’ compliance with OGM policies is the feasibility of implementing them. It could be difficult for state agency staff to comply with requirements they consider to be unreasonably difficult or burdensome. We surveyed Grants Governance Committee members and asked them how reasonable each of the OGM policies were to implement.⁷

The majority of grants management staff we surveyed indicated that current OGM policy requirements were reasonable.

At least 80 percent of survey respondents indicated that most of the 13 OGM policies were somewhat reasonable or very reasonable to implement, as shown in the table below.

Most Grants Governance Committee members we surveyed indicated that each of the OGM policies were reasonable to implement.



Note: Some percentages do not sum to 100 due to rounding.

⁷ The Grants Governance Committee works in partnership with OGM to improve the state’s grant-making practices. The committee includes members from state grant-making agencies and key grantee constituencies. State agency Grants Governance Committee members are central points of contact for grant administration at their agencies. We surveyed, and received responses from, all 40 state agency staff members of the Grants Governance Committee.

Additionally, we asked Grants Governance Committee members the extent to which they agreed or disagreed that their state agency is able to provide adequate oversight of state-funded grants to nonprofit organizations. More than two-thirds of the members we surveyed agreed that their agencies are able to provide adequate oversight. We also interviewed staff from six nonprofit grantee organizations.⁸ Staff from five of those organizations indicated that state agencies' current monitoring requirements were comprehensive.

If agencies have reason to believe they cannot comply with an OGM policy, statutes provide the Minnesota Department of Administration (Admin) with the authority to approve exceptions for a particular grant program.⁹ In that case, the state agency would not have to implement that policy for that grant program. Ten agencies requested a total of 56 exceptions to OGM policies during fiscal years 2018 through 2022. OGM indicated that only one request for exception during that five-year period was denied, indicating that if a state agency applies for an exception, it will likely receive it.

Based on the information we collected, state agency staff believe it is feasible to implement current OGM policies. This suggests that the policies themselves are not a leading factor in agencies' noncompliance.

Resources

Another factor that could impact agencies' compliance with OGM policies is the amount of funding and, correspondingly, staff they have available to oversee grants.

The Legislature funds grants management expenses inconsistently, which affects state agency capacity to manage grants in varying ways.

As an example, for fiscal years 2020 and 2021, the Legislature allowed DPS to use up to 2.5 percent of the total Office of Justice Programs grant appropriation for grants management. MDE, on the other hand, received specific funding to manage only 3 of the 18 grant programs we reviewed. For one grant program, the Legislature authorized MDE to use a specified dollar amount for management; for another, it stipulated that up to 7 percent of program costs could be used to manage specific grants within the program. An MDE official told us the department funded management of the remaining grants from its general appropriation.



We continuously get more grant programs to manage many times without administrative funding from the legislature. I don't think that should be allowed, since additional programs without additional oversight waters down each agency's capacity to monitor grant programs.

— State Agency Official

⁸ We interviewed staff from three organizations that received grants that were part of our compliance review of DPS files and three that were part of our compliance review of MDE files, to hear their perspectives on state agency grants management. The organizations we interviewed varied in staff size, award amount, and geographical location.

⁹ *Minnesota Statutes* 2022, 16B.97, subd. 4(a)(1).



Staffing is the biggest factor at this time. We do not currently receive any administrative funding for our state-funded grants. Creating and managing grants takes a lot of time and effort....

— State Agency Official

Staff from several agencies told OLA that their state agency was unable to complete certain grants management tasks due to limited resources. A DPS official told us that the amount the Legislature has appropriated over the last two fiscal years for grants management did not fully cover the department’s costs. MDE officials also indicated that limited funding dedicated to grants management affects the department’s ability to provide adequate oversight. Additionally, more than one-third of Grants Governance Committee members we surveyed commented that their state agency’s ability to provide adequate grants oversight was related to staffing. One member commented, “Shortage of staff [contributes to our ability to provide adequate oversight].... Vendors [are] located throughout the state making annual site visits overwhelming and expensive. Our agency does not withhold administrative costs out of the grants awarded and has a zero budget for grant administration.” Another noted, “If a staff person has 70 grants they are responsible for, it is not a reasonable expectation that they can provide proper oversight....”

However, not all state agency staff indicated that resources were an issue. We asked Grants Governance Committee members the extent to which they agreed or disagreed that their state agency has adequate resources to comply with OGM grants management policies. Seventy percent of the members we surveyed strongly agreed or agreed that their state agency had adequate resources.

Training

Another important factor we considered while evaluating agencies’ compliance with OGM policies was state agency staff preparation and knowledge. Grants managers can only comply with policies if they are aware of them and understand how to implement them.

Statutes require Admin to offer training on only 1 of its 13 policies, and approximately one-third of grants management staff we surveyed indicated OGM provides too little training on its policies.

While statutes require Admin to serve as a resource to agencies for training and best practices in grants management, statutes generally do not specify the type or frequency of training Admin must provide.¹⁰ The only exception is that Admin must make available training on how to avoid and address potential conflicts of interest.¹¹ Similarly, neither statutes nor policies require grant managers at state agencies to complete any specific training.

An Admin official told us that OGM does not have a set training schedule, and that state agencies, rather than OGM, are responsible for determining who receives grants management training, what type of training they should receive, and when they should take such training. OGM reported providing 17 trainings in Fiscal Year 2021 and 18 trainings in Fiscal Year 2022. OGM offered an overview of the 13 grants management policies several times each of those fiscal years, and the other trainings

¹⁰ *Minnesota Statutes 2022*, 16B.97, subd. 4(a)(3).

¹¹ *Minnesota Statutes 2022*, 16B.98, subd. 3(b)(1).

typically focused on one of a select number of OGM policy requirements, including conflict of interest; monitoring; and diversity, equity, and inclusion in grant administration. OGM offered these trainings in fiscal years 2021 and 2022 via live videoconferencing. The office made recordings of four of those trainings, as well as written materials from several other trainings, available on its website.

We asked Grants Governance Committee members for their perspectives on how much training OGM has provided on its policies. Approximately one-third of members we surveyed indicated that OGM has provided too little training on grants management policies. Several members we surveyed indicate that it would be helpful for more training to be recorded. This would allow new staff to access the trainings and veteran staff to review them on-demand. One member we surveyed commented, “financial reconciliation training is needed on [an] ongoing basis,” while another said, “my agency, like most, has enough staff turnover that more frequent trainings would be useful to ensure new staff have the tools they need when they need them.” In addition, several members we surveyed indicated that OGM training is too general to be helpful for grant managers’ specific situations.

We note in Appendix D that national organizations recommend grants management training, particularly on issues related to fraud indicators. However, more than three-fourths of survey respondents who had been part of the Grants Governance Committee for less than five years indicated that they were either *not sure* if OGM had provided them with training on how to detect fraud or that OGM *had not* provided them with training on how to detect fraud.

Grants Management Tools

The last factor we considered were the tools available to grant managers to effectively and efficiently comply with OGM policies. OGM policies require agencies to collect, review, and retain many grant documents. Systematizing this process—such as through electronic grants management systems—can facilitate collection and review, automate reminders to complete required management activities, and allow supervisors to more easily review grant managers’ work. A lack of effective grants management systems could be a factor in agencies’ noncompliance.

State agencies use various methods to collect, store, and review grants management documentation.

We asked Grants Governance Committee members if their state agency uses an electronic grants management system. Approximately 40 percent of members we surveyed indicated that they did. Seventy percent of those respondents (30 percent of all Committee members we surveyed) indicated that both state agency staff and grant applicants and/or grant recipients use the system; the remaining 30 percent of those members indicated that only state agency staff use their respective agencies’ grants management systems. Respondents named



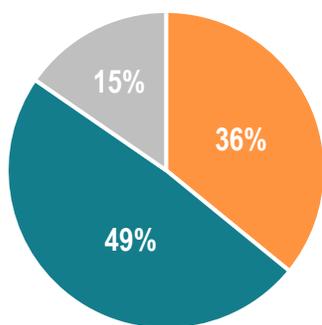
There are too many different types of software being used by different agencies, and I believe that’s creating an inconsistent experience for grantees.

— State Agency Official

13 different grants management systems used by their agencies. One member we surveyed commented, “My agency is looking for an agency-wide electronic management system, and it is a financial and administrative burden for us to set up on our own.” Another member we surveyed noted that not having an electronic grants management system “allows too much room for human error.”

Nearly half of the Grants Governance Committee members we surveyed indicated that the State of Minnesota should develop a centralized grants management system.

■ Yes ■ No ■ No Opinion



The two agencies we reviewed for this evaluation have different approaches to grants management. DPS’s Office of Justice Programs division uses an electronic grants management system that allows grantees to submit documents and complete forms within the system. The department uses the system to store grant files and document management activities, such as reviewing progress reports. In contrast, MDE has not fully digitized its grants management process. As a result, it uses a combination of e-mail, online systems, electronic documents, and physical documents to manage grants. This likely contributed to the department’s inability to provide OLA with many of the documents we requested, as discussed in Chapter 2, in some cases citing the inaccessibility of the physical documents.

We also asked Grants Governance Committee members if they think the State of Minnesota should develop a single, centralized electronic grants management system. Nearly half of the survey respondents replied “Yes,” either for state agency staff only or for state agency staff and applicants and/or recipients.¹²

One respondent noted, “A centralized software system...would provide consistency to staff and vendors. Staff would be able to check the current status and/or past performance of a vendor quickly and easily.” However, approximately one-third of respondents replied “No.” Several respondents indicated that their state agency currently has a system that works well. One respondent noted, “A single, centralized system would be difficult to manage and utilize due to the various and changing needs of agencies across the enterprise.”

Staff we interviewed from nonprofit grantee organizations similarly expressed interest in better grants management systems. Grantees indicated that by using upgraded systems, they could more easily submit documents, improve communication, or reduce errors.



A system for all would ensure consistency for all and would standardize the processes. Information between agencies could be shared easily (closeout evaluations, pre-award risk assessments, etc.).

— State Agency Official

¹² Grants Governance Committee members who responded “Yes” include those who responded to either “Yes-for both state agency staff, and grant applicants and/or recipients” or “Yes-for state agency staff only.” We excluded one nonresponse.

Accountability

While state agencies' capacity to implement OGM policies is an important factor in their compliance, so is external oversight. Without an entity holding agencies accountable, agencies may have fewer incentives to direct their limited resources to compliance with OGM policies.

Enforcement

Several entities have the authority to review state agencies' compliance with OGM policies. OLA has the authority to audit and evaluate agencies' compliance with policies.¹³ Statutes also give Admin authority to selectively review agencies' management of grants.¹⁴ In addition, some state agencies have internal audit staff that may examine their agency's compliance with OGM policies.¹⁵ Reviewing and reporting, however, is generally the extent of these entities' authority.

The Legislature is essentially the only body with authority to act when state agencies fail to comply with OGM policies. It may choose, for example, to move management of particular grants from one state agency to another or adjust funding levels.

Statutes provide little authority to enforce state agencies' compliance with OGM grants management requirements or require corrective action when agencies are noncompliant.

Statutes state only that Admin must "selectively review" state agencies' management of grants and best practices.¹⁶ Statutes provide essentially no course of action if Admin finds issues with agencies' implementation.¹⁷ An Admin official told us that OGM is not an enforcement entity and, therefore, does not have a formal monitoring process to ensure agencies comply with grants management policies. The official said OGM's role is to provide technical assistance to agencies and help them build grant-making capacity.



What actions the OGM will take against non-compliant agencies should be written in [OGM policies]. If there are no remedies agencies will continue to skirt the rules.

— State Agency Official

Similarly, OLA and internal auditors may report on noncompliance but have few mechanisms for correcting it. As previously discussed, OLA has consistently found issues when completing audits and evaluations of agencies' compliance with OGM policies. In some cases, those issues have been ongoing at a state agency. While OLA has reported on these issues and made recommendations,

¹³ *Minnesota Statutes* 2022, 3.971, subds. 6, 7, and 8a.

¹⁴ *Minnesota Statutes* 2022, 16B.97, subds. 4(a)(9) and (10).

¹⁵ Minnesota Management and Budget (MMB) is responsible for establishing standards for internal controls and internal auditing, which are intended to ensure agencies manage programs in compliance with law. Agency leaders are required to maintain an internal control system that complies with MMB standards and self-certify each year that their system complies with MMB standards. *Minnesota Statutes* 2022, 16A.057, subds. 1, 2, and 8.

¹⁶ *Minnesota Statutes* 2022, 16B.97, subds. 4(a)(9) and (10).

¹⁷ Statutes encourage state employees who discover evidence of a violation of laws governing grants management to report that violation to the employee's supervisor, the commissioner, or the Office of the Legislative Auditor. *Minnesota Statutes* 2022, 16B.98, subd. 4.

statutes do not provide for direct repercussions when agencies do not follow OGM policies. Similarly, internal auditors may need to rely on their own state agency's officials to enforce compliance.

Finally, statutes allow the attorney general to periodically review and evaluate a sample of grants to ensure compliance with law.¹⁸ However, the attorney general's authority is generally focused on the actions of the nonprofit grantee organizations, rather than state agencies.

Statewide Data on Grants

It is currently difficult for legislators—and others, including state agency staff—to find comprehensive information about grants. The Legislature requires agencies to report on the performance of certain grant programs. Additionally, OLA issues reports on certain aspects of agencies' grants management, and other entities may provide other pieces of information. But these entities do not provide a comprehensive overview of statewide, or typically even agency-wide, compliance with OGM policies or grant performance.

Minnesota does not have a comprehensive, statewide repository for data on state-funded grants that allows legislators and others to review how well state agencies manage grants.

Minnesota's only source for statewide grants data is the state's accounting system, SWIFT. This system has limited capacity to provide useful data on grants to nonprofit organizations for a number of reasons. These include that (1) grantees are not reliably identified as nonprofit organizations, (2) agencies do not always record the individual grant award amount for each grantee in the system, (3) the accounting system does not have a designated field to track separate grant programs, and (4) the accounting system has no capacity to store grantee performance data.

Besides affecting the Legislature's ability to review agencies' performance, a lack of comprehensive data on state-funded grants to nonprofit organizations limits agencies' ability to review past performance before awarding new grants. This poses a significant risk, as nearly 600 nonprofit organizations received grant funding from multiple state agencies in fiscal years 2018 through 2022.

Although OGM policy requires agencies to share information about grantee performance when requested, there is no systematic way to obtain this information.¹⁹ The state has established a website called TransparencyMN that publishes searchable data on grants.



We have no way of knowing when one of our grantees has received grants from other state agencies.

— State Agency Official

Intra-agency cooperation appears rare in these instances. But there should be a way to share grantee outcomes among other agencies.

— State Agency Official

¹⁸ *Minnesota Statutes* 2022, 16B.98, subd. 5(e).

¹⁹ Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-13, *Policy on Grant Closeout Evaluation*, revised December 2, 2016, 1. This policy applies to grants of more than \$5,000.

However, this website provides only limited data (obtained from SWIFT) on grants by state agency; it does not provide information on grantee performance. We asked Grants Governance Committee members how often they reviewed performance information kept by other state agencies prior to making grant awards. Only 5 percent of members we surveyed responded that they always or often reviewed grant closeout evaluations, outcome reports, or other specific documentation. The majority replied they never reviewed such information or they did not know if the information was reviewed. This means a grantee could perform poorly at one state agency, yet receive a grant at another.

Discussion and Recommendations

In Chapter 2 and Appendix C of this report, we identified a widespread lack of compliance with OGM grants management policies, limiting their effectiveness. In this chapter, we identified two key contributing factors to this noncompliance: (1) limited state agency capacity and (2) a lack of accountability. Below, we make recommendations that address these factors. We believe that, by implementing these recommendations, the state can strengthen oversight of state-funded grants to nonprofit organizations.

Training

Comprehensive training requirements are a fundamental step towards improving compliance with OGM policies. For grant managers to comply with OGM policies, they must be aware of and fully understand how to implement the policies.

Statutes currently require more oversight of certain other types of contracts than grant contract agreements. For example, statutes give Admin the responsibility for entering into contracts to acquire goods and services needed by state agencies.²⁰ Statutes also provide Admin the authority to delegate this responsibility to state agency staff.²¹ To delegate the authority to make certain purchases, Admin requires individuals to successfully complete training and become certified buyers.²² Before certification, potential buyers must demonstrate that they can properly implement purchasing processes and rules.

Admin has no similar authority over grant contract agreements and does not require grants managers to complete training. This is despite the fact that individual state-funded grant awards may total millions of dollars in a single fiscal year.

We previously noted that national organizations recommend grants management training. For instance, the U.S. Department of the Interior, Office of Inspector General (OIG) recommends that agencies establish a core grants management curriculum to ensure that all grants management staff meet core competency requirements.²³ Organizations pointed out the particular importance of providing training on how to prevent and detect fraud. The U.S. Department of Justice OIG, for example, recommends grant administrators

²⁰ *Minnesota Statutes* 2022, 16C.03, subds. 3 and 3a.

²¹ *Minnesota Statutes* 2022, 16C.03, subd. 16.

²² These are referred to as “Authority for Local Purchase” buyers.

²³ United States Department of the Interior, Office of Inspector General, *Framework Needed to Promote Accountability in Interior’s Grants Management* (Washington, DC, August 2005), 12.

receive annual training “to reinforce administrative, financial, and programmatic requirements” of the grants they manage and to “emphasize employees’ obligations when they identify indicators of misuse or fraud.”²⁴ Yet, we found that OGM has provided little to no training specifically to identify indicators of fraud, and grant managers are not required to complete any training.

RECOMMENDATIONS

The Legislature should:

- **Require OGM to develop a grants management training program for state agency staff.**
 - **Require all state agency grants management staff to complete the grants management training program.**
-

The Legislature should require OGM to develop a grants management training program and make it available online, on-demand. The curriculum should include the information necessary for grants management staff (managers and supervisors) to properly and effectively manage a grant program. The curriculum should also include training on the state’s grants management policies. OGM should require grants management staff to take an exam that demonstrates their grants management skills, knowledge of state grants management requirements, and understanding of their responsibilities.

When agencies hire new grants management staff, those who have not already completed the training program should be required to do so before taking on grants management duties. In addition, OGM should require periodic continuing education.

Providing online, on-demand training on core grants management skills and OGM policies would allow OGM staff to focus live training on more in-depth or specific grants management issues, as well as provide more personalized technical assistance to agencies.

Resources

One aspect of state-funded grants management compliance and oversight that should be taken into consideration is the cost. The greater the Legislature’s expectations for oversight of grant funds, the larger the financial investment needed to implement and enforce the policies. We noted previously that the Legislature currently funds grants management inconsistently, and that a number of state agency officials noted that a lack of resources affects their ability to appropriately staff for effective grants management.

²⁴ United States Department of Justice, Office of the Inspector General, *Improving the Grant Management Process* (Washington, DC, February 2009), 7.

RECOMMENDATION

The Legislature should direct OGM to develop standards for consistently funding grants management activities at state agencies.

It is difficult to expect consistent results with inconsistent resources. Some agencies, due to a higher level of funding for grants management, may be better able to comply with OGM policies than others. We do not necessarily recommend the Legislature designate one, static percentage of grant funds for grants management. It may be simpler and require less time, for instance, to manage a grant to one grantee named by the Legislature than to conduct a competitive selection process and oversee 60 separate grantees, regardless of the amount of grant funds involved. However, we do recommend that the Legislature direct OGM to develop standards that could provide a more consistent statewide approach to funding grants management.

In developing these standards, we recommend the Legislature clearly articulate their expectations for oversight of state-funded grants to nonprofit organizations. While investment in oversight can, to a certain extent, help ensure that grant funds are being used appropriately and effectively, there will be a tipping point where the cost of oversight negatively impacts the grant program itself by pulling funding away from the grant's core activities. Therefore, the Legislature should carefully consider its expectations and related costs.

External Monitoring

OLA recommended in 2007 that the Legislature establish a central grants management office with the authority and ability to audit grants, review agencies' policies and practices, and ensure agencies implement proper grants management policies and comply with them.²⁵ While the Legislature implemented OLA's recommendation to establish the office, OGM currently does not have the ability to review agencies' compliance with the policies the office establishes. While other entities—including OLA—have the ability to review compliance, it is one of many responsibilities, rather than these entities' central responsibility. As we previously mentioned, these entities have little authority to enforce compliance with OGM policies.

In our review of other states' policies, we found a similar lack of enforcement authority. At the same time, some states have additional oversight that may help ensure agencies' compliance with grants management requirements. For example, we found that grant-making agencies in North Carolina are required to submit monitoring plans to the Office of State Budget and Management for approval. The Office is responsible for reviewing these plans and ensuring they comply with administrative rules. Illinois has established a Grant Accountability and Transparency Act (GATA), which is intended to provide effective and efficient oversight of grantee selection and monitoring. The GATA provides for the establishment of a Grant Accountability and Transparency Unit (GATU) within the Governor's Office of Management and Budget. GATU has several duties, including establishing minimum requirements for grants managers to manage

²⁵ Office of the Legislative Auditor, Program Evaluation Division, *State Grants to Nonprofit Organizations* (St. Paul, 2007), 39.

and execute grant awards; establishing training requirements; and ensuring the accurate, current, and complete disclosure of the financial results of each grant.

Part of the reason for a lack of enforcement authority in Minnesota may be the inherent difficulty of imposing penalties on grant-making agencies. The Legislature funds grant programs because it believes those programs are necessary for a public purpose. The Legislature could decide to withhold grant funds to noncompliant agencies. Doing so, however, would ultimately punish the individuals intended to benefit from the grant. There are, however, a number of other methods for increasing agencies' accountability in their management of state-funded grants to nonprofit organizations.

RECOMMENDATION

The Legislature should increase external oversight of grants management in executive branch agencies.

The Legislature may consider a number of options to strengthen state agencies' accountability for implementing OGM policies. We discuss some of these options below. One aspect each of these options has in common is greater capacity to routinely audit grant programs. As shown in Appendix D, organizations recommend this practice to safeguard funds. Greater potential for regular external review may motivate agencies to demonstrate better compliance with OGM policies.

Increase OGM responsibility. There are many advantages to increasing OGM's capacity to hold agencies accountable for complying with its grants management policies. First, OGM already has established relationships with grant-making agencies. Second, OGM has requisite expertise in best practices in grants management. Third, OGM creates, maintains, and trains individuals on grants management policies, and would therefore be in a good position to determine whether state agencies have complied with them.

If the Legislature implements this option, we recommend that it require OGM to review and approve agency-specific grants management procedures and monitoring plans at a minimum. The U.S. Government Accountability Office identified the development of agency-wide monitoring plans "with defined program goals, objectives, timetables, and requirements for tracking financial and performance information," as a leading practice.²⁶ We noted in Chapter 2 that MDE did not have procedures for conducting monitoring activities, such as reviewing progress reports or conducting monitoring visits, and did not complete these activities for many of the grants in our review. Requiring agencies to submit plans and procedures that meet minimum standards would help ensure that grant-making agencies provide clear instructions and expectations to their grant managers on how the state agency expects them to implement OGM policies within their unique agency and grant programs. While one of OGM's current duties is to selectively review agency-specific procedures, it is not required to do so on a regular basis or for all agencies, and it does not.

²⁶ Comptroller General of the United States, Government Accountability Office, *Foreign Assistance: Federal Monitoring and Evaluation Guidelines Incorporate Most but Not All Leading Practices* (Washington, DC, July 2019), 7.

The Legislature could also consider requiring OGM to play a more active oversight role by conducting periodic compliance audits at each grant making state agency. Placing the policymaking, training, and audit staff in one office would allow these staff to share information and make adjustments to best support agency compliance.

At the same time, the Legislature should understand potential difficulties in implementing this recommendation. We reported in Chapter 1 that, while OGM had three staff in Fiscal Year 2022, only one staff member was responsible for work related to statewide grants management policies. Therefore, an increase in responsibility would require a corresponding increase in resources. In addition, we reported previously that OGM views itself as an entity focused on technical assistance, rather than enforcement. Changes in responsibilities would require a change in mindset and skillset at OGM.

Establish internal audit responsibilities. The Legislature could require internal auditors at grant-making agencies to conduct audits on a specified percentage of state-funded grants each year. Further, the Legislature could define the criteria internal auditors must use to select grants for review. The Legislature could require the internal auditors to report the results of their audits to OGM and require OGM to compile the results into a single report the Legislature could review each year. This would allow the Legislature to more easily identify systemic compliance issues at specific agencies.

Internal auditors may have an advantage over external auditors in that they better understand state agency operations, procedures, and data systems. They would, therefore, likely have less of a learning curve when auditing grants than external reviewers. While internal auditors currently have the authority to audit state-funded grants to nonprofit organizations, an official with Minnesota Management and Budget's (MMB's) Internal Control and Accountability division told us they often do not do so.

However, there would be several disadvantages to this option. The most important is that not all state agencies have internal auditors. For example, in Chapter 1, we showed that the Minnesota Arts Board granted out the seventh highest amount of funding to nonprofit organizations in fiscal years 2018 through 2022. Yet, as of the end of 2022, the Arts Board had fewer than 20 staff, none of whom were internal auditors.

Establish an independent oversight unit. The Legislature could also establish a unit within the executive branch or OLA with the sole purpose of providing greater oversight of state agencies' grants management. In either case, the unit would provide an independent review of agencies' management and should be required to report on its statewide findings each year.

At the same time, each independent option has its own pros and cons. If the Legislature created an independent unit in the executive branch, the unit could be required both to review agency-specific procedures and plans, and to perform independent audits of state agency grants management. This would provide comprehensive oversight of state agency grants management, but would require the creation of an entirely new unit of government that may be somewhat duplicative of OGM. If the unit was established within OLA, it could build on OLA's expertise in auditing grants, but it may not have

the same capacity to review agencies' procedures and plans. In either case, creating an entirely new unit of government, or a new unit within an existing office, would require significant resources.

Whether the Legislature selects one of the options we have presented here, or creates another, it is imperative that the Legislature strengthen oversight of state-funded grants. With an investment of nearly \$560 million in state-funded grants to nonprofit organizations in Fiscal Year 2022, it is potentially very expensive to continue to ignore systemic noncompliance with policies intended to help ensure grants meet their intended purpose.

Statewide Grants Data

Regardless of the approach the Legislature takes to improve accountability and oversight of state-funded grants to nonprofit organizations, it is important to improve the Legislature's access to comprehensive, useful data on grants.

RECOMMENDATION

The Legislature should direct Admin to develop recommendations for improving access to comprehensive statewide data on state-funded grants.

There are several options for improving data available to legislators, state agency officials, and the public, each of which would require different levels of increased financial investment in grants management.

Require more specific financial reporting. Admin could work with MMB, the state's SWIFT administrator, to provide state agencies with more specific data entry requirements to ensure data in SWIFT is consistent. MMB could require state agencies to assign a unique contract number to each grantee for each grant award and record the individual award amount in SWIFT. This would enable state agencies to track, and report on, the use of each individual grant award. MMB could also create or designate a specific field in SWIFT to identify each grant program, so that the number of grant programs managed by each state agency could be identified and the awards provided through each program could be analyzed and summarized.

Increase publicly available data. Admin could identify the advantages and disadvantages of increasing the amount of data on state-funded grants available through the TransparencyMN website. The Legislature could potentially direct state agencies to complete reviews of each grantee and make those reviews available online, similar to requirements for professional/technical services contracts.²⁷ Statutes require state agencies to submit to Admin a report summarizing key aspects of professional/technical services contracts, including a written performance evaluation, within 30 days of completing a contract.²⁸ Admin must publish the report online.

²⁷ Professional/technical services contracts are those that are of an intellectual nature, including consultation, evaluation, and planning. They generally do not include providing supplies or materials. *Minnesota Statutes 2022*, 16C.08, subd. 1.

²⁸ *Minnesota Statutes 2022*, 16C.08, subd. 4(c). This requirement pertains to contracts worth more than \$25,000.

Develop a statewide grants management system. The Legislature could consider directing Admin to work with state agencies to develop a statewide grants management system. Several organizations recommend that states develop a centralized grants management system that agencies use for their grants management activities. For example, the Government Finance Officers Association stated that governments should maintain systems that provide information to all parties involved in a grant to facilitate compliance with grant requirements.²⁹

An electronic grants management system would not only provide Legislators and others with comprehensive data on grants, but provide all grant-making agencies with consistent tools to gather, store, and share grant documents and track grant management activities. This could help better coordinate and streamline grants management activities, as well as provide the Legislature, state agency officials, and the public with statewide data on grant awards and grantee performance. However, creating a statewide database that would meet the varied needs across all state agencies would be a large, resource-intensive undertaking. In developing recommendations for the Legislature, Admin should provide information about the impact this recommendation could have on state agencies and the level of difficulty involved in obtaining and maintaining a system that would meet the needs of all grant-making agencies.

²⁹ Government Finance Officers Association, *Best Practices: Grants Administration* (Chicago, IL, May 31, 2013), 3.

List of Recommendations

- The Minnesota Department of Education (MDE) should create agency-specific grants management procedures that provide more specific direction to grant managers. (p. 18)
- MDE should ensure grant managers comply with all Office of Grants Management (OGM) policies. (p. 18)
- The Department of Public Safety (DPS) should revise and formalize its grants management procedures to include greater specificity and direction. (p. 23)
- DPS should ensure grant managers fully comply with all OGM policies. (p. 23)
- OGM should strengthen its grant management policies and provide more specific guidance to state agencies on how to implement the policies. (p. 35)
- The Legislature should require OGM to develop a grants management training program for state agency staff. (p. 47)
- The Legislature should require all state agency grants management staff to complete the grants management training program. (p. 47)
- The Legislature should direct OGM to develop standards for consistently funding grants management activities at state agencies. (p. 48)
- The Legislature should increase external oversight of grants management in executive branch agencies. (p. 49)
- The Legislature should direct the Minnesota Department of Administration to develop recommendations for improving access to comprehensive statewide data on state-funded grants. (p. 51)

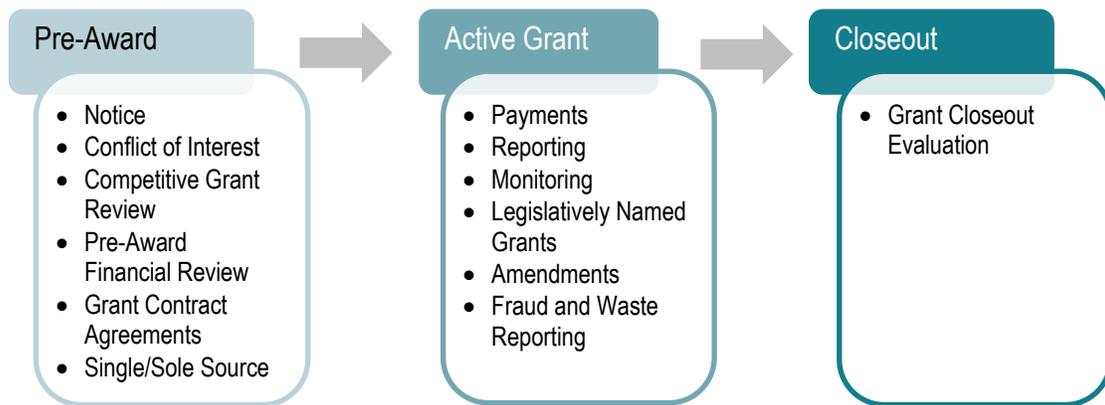


OLA

Appendix A

Office of Grants Management Policies

This appendix describes the Office of Grants Management (OGM) policies. These policies cover the three stages of the grant lifecycle: **Pre-Award**, **Active Grant**, and **Closeout**. State agencies may formally request from OGM an exception to any policy, which excludes a state agency from meeting specific requirements in the policy for particular grant programs.



Policy	Summary of Policy Requirements
Notice 08-03	<ul style="list-style-type: none"> • Appropriate state agency staff must draft a request for proposal (RFP), which must incorporate grantee community input. • RFPs must clearly communicate grants program information to help potential applicants determine whether and how to apply. • RFPs must include OGM-specified essential elements (e.g., selection criteria and weight, deadlines). • State agencies must publicize competitive grant opportunities as broadly as possible; at a minimum, state agencies must post RFPs to their websites.
Conflict of Interest 08-01	<ul style="list-style-type: none"> • Grant reviewers must identify applicants with whom they have a conflict of interest, and complete and sign a disclosure form for each grant review. • State agencies must avoid, address, or resolve all conflicts of interest, both individual and organizational. • All involved state agency staff must be made aware of actual, potential, disclosed, and evaluated conflicts of interest. • State agencies must document and maintain records of disclosed conflicts of interest and their resolution.
Competitive Grant Review 08-02	<ul style="list-style-type: none"> • State agencies must select and rank grant review criteria before writing and circulating the RFP; the RFP must describe the selection criteria. • Criteria and scoring systems must identify how the state agency's grant process will implement diversity in grant-making. • Competitive grant review processes must use the review criteria identified in the RFP and a standardized scoring system. • State agencies must conduct a review meeting to discuss applications and scores.

Office of Grants Management Policies (continued)

Policy	Summary of Policy Requirements
Pre-Award Financial Review 08-06	<ul style="list-style-type: none"> • Before awarding grants over \$25,000, applicants must submit, and state agencies must review, applicants' recent financial documents (either an internal financial statement, an IRS Form 990, or a certified financial audit) to ensure applicants' financial stability. • If state agencies have concerns, they must discuss the situation with the applicant before awarding the grant, and grant staff may include additional requirements in the grant contract agreement or other processes to address the concerns. • State agencies must record which financial document(s) they reviewed, their rationale, and their award decision.
Grant Contract Agreements 08-04	<ul style="list-style-type: none"> • Grant contracts must include OGM-specified elements (e.g., scope and timeline for work, workplan, budget, and payment) and must conform to <i>Minnesota Statutes 2022</i>, 16B.98, subd. 5, "Creation and Validity of Grant Agreements." • State agencies must encumber grant funds before executing the grant contract agreement. • The grant contract agreement may be considered effective only after both the state's and grantee's authorized representative(s) have signed.
Single/Sole Source 08-07	<ul style="list-style-type: none"> • State agencies must use competitively awarded grants as much as possible; if multiple entities can meet the grant's goals, state agencies must use a competitive process. • State agencies must document and retain the research and justification for use of a single source grant. • Someone independent of the grant manager must review and approve the Single and Sole Source Grant Justification Form.
Payments 08-08	<ul style="list-style-type: none"> • State agencies must specify grant payment terms, method, and schedule in the grant contract or award and may not make payments until the grant contract is fully executed. • Reimbursement is the preferred method for state agencies to make grant payments; grantee requests must correspond with their grant budget. • State agencies' authorized representative(s) must review grantee requests for reimbursement against grant budget, expenditures, and most recent grant progress report. • State agencies must not make payments on grants with past-due progress reports, unless the grantee has a written extension. • State agencies must prepare and retain written justification or include justification in the grant contract agreement for all advance payments.
Reporting 08-09	<ul style="list-style-type: none"> • State agencies must monitor grantee progress via at least annual written progress reports. • State agencies must establish a reporting schedule and requirements in the grant contract agreement. • State agencies must review submitted progress reports and follow up with the grantee regarding questions and concerns.
Monitoring 08-10	<ul style="list-style-type: none"> • State agencies should develop plans, procedures, and templates for monitoring visits. • State agencies must conduct at least one monitoring visit and one financial reconciliation on grants over \$50,000, and at least annual monitoring visits on grants over \$250,000. • State agencies should conduct monitoring visits in-person whenever possible, although telephone visits are permitted. • If state agencies are unable to perform monitoring, they must request an exception from OGM. • State agencies must schedule monitoring visits and give grantees adequate time and information to prepare. • State agencies should review financial and progress reports before monitoring visits. • State agencies must document monitoring visits and financial reconciliations.

Office of Grants Management Policies (concluded)

Policy	Summary of Policy Requirements
Legislatively Named Grants 08-11	<ul style="list-style-type: none"> • State agencies must manage legislatively named grantees with the same level of oversight as other grants. • State agencies must require the grantee to submit a workplan and budget, and the state agency must use these documents to draft the grantee's duties in the grant contract agreement. • If the purpose, but not a specific grantee, is stated in law, state agencies must conduct either a competitive or single/sole source process to award the funds.
Amendments 08-12	<ul style="list-style-type: none"> • State agencies must issue amendments for any changes to grant obligation, compensation, or expiration. • State agencies must document amendments using a fully executed grant contract agreement amendment. • Grant contracts and amendments may not exceed five years without written permission from the Commissioner of Administration.
Fraud and Waste Reporting 08-05	<ul style="list-style-type: none"> • OGM must publicize its role as the central point of contact for questions and comments regarding fraud and waste; receive inquiries of grant fraud and determine the most appropriate course of action; track recurring themes; and address issues through policy, communications, and/or training.
Grant Closeout Evaluation 08-13	<ul style="list-style-type: none"> • State agencies must consider a grant applicant's past performance before making a new grant award over \$5,000. • State agencies should create a process to ensure specific grantee data are available for review. • State agencies must share grant closeout evaluations with other state agencies upon request.

Notes: For simplicity, we use "state agencies" to refer to executive branch entities that make grants. State agencies may include executive branch agencies, boards, commissions, councils, authorities, and task forces.

Source: Office of the Legislative Auditor, summary of Minnesota Department of Administration, "Grants Management Policies, Statutes and Forms," <https://mn.gov/admin/government/grants/policies-statutes-forms/>, accessed April 5, 2022.



OLA

Appendix B

Grants Selected for Office of the Legislative Auditor Compliance Review

Minnesota Department of Education (MDE) and Department of Public Safety (DPS) — Grants Selected for Office of the Legislative Auditor Compliance Review

Grantee	Grant Award Amount Fiscal Years 2020-2021	Grant Program Description
MDE LEGISLATIVELY NAMED GRANTS (Division of Academic Standards, Instruction, and Assessment)		
Learning Law and Democracy Foundation	\$ 60,000	Funds civics education programs for Minnesota youth.
YMCA of the Greater Twin Cities	30,000	
Starbase Minnesota	2,350,000	Funds rigorous science, technology, engineering, and math program education to students in grades 4-6 in an aerospace environment.
MDE GRANTS IDENTIFIED AS LEGISLATIVELY NAMED (Division of Early Learning Services)		
Jewish Family and Children's Service of Minneapolis	\$ 1,800,000	Funds early learning services to ensure children are ready for school and live in safe, stable, and nurturing environments.
Reach Out and Read Minnesota	150,000	Funds tutors to struggling readers, age 3 to grade 3.
ServeMinnesota	1,000,000	Funds training for AmeriCorps members to help students in grades 4-8 achieve math proficiency.
MDE COMPETITIVELY AWARDED GRANTS (Division of Early Learning Services)		
Anoka Community Action Programs, Inc.	\$ 3,414,046	These grantees all received Early Learning Scholarship grant awards. The Early Learning Scholarship program is intended to close the opportunity gap by increasing access to high-quality early childhood programs.
Child Care Resource and Referral, dba Families First of MN	13,998,438	
Lakes & Prairies Community Action Partnership	2,818,773	
Mahube-Otwa Community Action Partnership, Inc.	5,945,468	
Child Care Choices, Inc., dba Milestones	14,533,546	
Northland Foundation	4,434,228	
Prairie Five Community Action Council	2,774,069	
Southwestern MN Opportunity Council, Inc.	2,867,181	
Think Small	41,122,881	
Tri-Valley Opportunity Council, Inc.	1,862,689	
Total MDE Grants	\$99,161,319	

Minnesota Department of Education (MDE) and Department of Public Safety (DPS) — Grants Selected for Office of the Legislative Auditor Compliance Review (concluded)

Grantee	Grant Award Amount Fiscal Years 2020-2021	Grant Program Description
DPS GRANTS IDENTIFIED AS LEGISLATIVELY NAMED (Office of Justice Programs)		
Minnesota Coalition Against Sexual Assault (2020)	\$ 292,500	Funds expertise and guidance intended to prevent sexual violence.
Minnesota Coalition Against Sexual Assault (2021)	292,500	
Children's Law Center of Minnesota	292,500	Funds legal representation for children in need of protection or services, and to children in out-of-home placement.
DPS COMPETITIVELY AWARDED GRANTS (Office of Justice Programs)		
Alexandra House	\$ 90,000	These grantees all received Youth Intervention Program grants. Youth Intervention Program grants provide funding to community-based early intervention programs for youth and their families. Grantees serve youth who are experiencing personal, familial, school, legal, or chemical problems.
CommonBond Communities	90,000	
Communities in Schools of the Twin Cities	90,000	
Ely Community Resource, Inc.	90,000	
Face to Face Health and Counseling Service, Inc.	145,000	
Family Pathways	42,818	
Keystone Community Services	90,000	
Lakes Center for Youth and Families, Inc.	90,000	
Life House, Inc.	135,000	
The Link	90,000	
Lutheran Social Service of Minnesota	90,000	
Migizi Communication	79,600	
Minnesota Valley Action Council	90,000	
MoveFwd	90,000	
Neighborhood House	28,333	
Power of People Leadership Institute	90,000	
The Sanneh Foundation	90,000	
United Community Action Partnership, Inc.	90,000	
SE MN Private Industry Council Workforce Development, Inc.	90,000	
YMCA of the Greater Twin Cities	90,000	
Total DPS Grants	\$2,658,251	

Source: Office of the Legislative Auditor, review of grant documents.

Appendix C

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Emergency Medical Services Regulatory Board</i></p> <p>Financial Audit Division</p> <p>2022</p>	Active Grant	The Emergency Medical Services Regulatory Board approved budgets for Emergency Medical Services Relief Account grants that included unallowable uses.	The Emergency Medical Services Regulatory Board should strengthen internal controls over Emergency Medical Services Relief Account grants to ensure approved budgets only include the allowable uses specified in state law.
	Active Grant	The Emergency Medical Services Regulatory Board reimbursed emergency medical services regions for expenditures that were not included in the approved grant budgets, and did not always make grant payments from the correct grant.	The Emergency Medical Services Regulatory Board should strengthen internal controls over grant payments to ensure reimbursed expenditures correspond to the approved grant budgets, and to ensure it makes payments from the correct grant.
	All Stages	The Emergency Medical Services Regulatory Board did not monitor its Emergency Medical Services Region grants as required by state policy.	<p>The Emergency Medical Services Regulatory Board should establish internal policies and procedures for monitoring grants to ensure compliance with state policies.</p> <p>The Emergency Medical Services Regulatory Board should obtain progress reports from each emergency medical services region as required, and document its review of those reports.</p> <p>The Emergency Medical Services Regulatory Board should conduct monitoring visits and perform financial reconciliations for each Emergency Medical Services Region grant as required, and document those visits and reconciliations.</p> <p>The Emergency Medical Services Regulatory Board should evaluate each emergency medical services region's performance at the completion of each grant, and document those evaluations.</p> <p>The Emergency Medical Services Regulatory Board should obtain copies of each emergency medical services region's audits as required, and document its review of those audits.</p>

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (continued)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Minnesota Department of Health: COVID-19-Related Grants</i></p> <p>Financial Audit Division</p> <p>2022</p>	Pre-Award	The Minnesota Department of Health did not comply with state requirements to document and retain conflict of interest disclosures.	<p>The Minnesota Department of Health should improve its internal controls to ensure grant reviewers comply with state requirements regarding conflict of interest disclosure.</p> <p>The Minnesota Department of Health should identify and mitigate conflicts of interest for grant administrators and document and retain required disclosures and resolutions.</p>
	Pre-Award	The Minnesota Department of Health did not always document how it evaluated grant applications based on the criteria in state law.	<p>The Minnesota Department of Health should improve its internal controls to ensure grant reviewers document how they evaluate grant applications in accordance with state law.</p> <p>The Minnesota Department of Health should comply with state law for evaluating grant applications.</p>
	Pre-Award	The Minnesota Department of Health did not always document it complied with state requirements when awarding grants.	<p>The Minnesota Department of Health should improve its internal controls to ensure it awards competitive grants in accordance with the Office of Grants Management policy and documents its rationale for awarding grants.</p> <p>The Minnesota Department of Health should document its rationale for selecting grantees and grant award amounts.</p>
	Active Grant	The Minnesota Department of Health did not always perform adequate financial reconciliations or obtain and review program reports as required by the Office of Grants Management policies.	<p>The Minnesota Department of Health should perform adequate financial reconciliations and obtain and review program reports in accordance with the Office of Grants Management policies.</p> <p>The Minnesota Department of Health should complete a full reconciliation for all grantees.</p>
	Closeout	The Minnesota Department of Health did not always collect advanced funds unspent by the grantee, in accordance with the grant contract.	<p>The Minnesota Department of Health should strengthen its controls over collecting unspent grant funds.</p> <p>The Minnesota Department of Health should collect unspent grant funds from grantees in accordance with the grant contract.</p>

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (continued)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Department of Human Services: Homelessness and Housing Support Grants</i></p> <p>Financial Audit Division</p> <p>2022</p>	Pre-Award	<p>The Department of Human Services did not comply with state requirements to document and retain conflict of interest disclosures for its COVID-19 response emergency services grants.</p>	<p>The Department of Human Services should complete and retain conflict of interest information for everyone involved in the grant-making process, in compliance with the Office of Grants Management policy.</p> <p>The Department of Human Services should improve its controls to ensure all individuals involved in the grant-making process disclose conflicts of interest, including individuals outside of the Department of Human Services.</p>
	Pre-Award	<p>(Recurring finding). The Department of Human Services did not always accurately calculate scores and retain scoring documentation for grant proposals submitted for its competitive grants.</p>	<p>The Department of Human Services should accurately calculate scores and retain scoring documentation for grant proposals submitted by applicants.</p> <p>The Department of Human Services should have adequate controls, such as supervisory review of scoring data, to ensure it accurately calculates grant proposal scores and retains scoring documentation.</p>
	Pre-Award	<p>The Department of Human Services did not document its decisions regarding which service providers should receive COVID-19 response emergency services grant funding or the amounts awarded.</p>	<p>The Department of Human Services should document its decisions regarding which service providers should receive COVID-19 response emergency services grant funding and the amounts awarded.</p> <p>The Department of Human Services should establish a process for documenting final funding decisions for COVID-19 response emergency services grants and assign this task to specific individuals.</p>
	Pre-Award	<p>The Department of Human Services could not demonstrate that the review committee approved some payments made to service providers for COVID-19 response emergency services grants.</p>	<p>The Department of Human Services should follow the established process when awarding grants to service providers.</p> <p>The Department of Human Services should ensure it does not issue payments to grantees without approved funding requests or budget revisions.</p>
	Pre-Award	<p>(Recurring finding). The Department of Human Services did not assess the financial stability of nongovernmental entities before making grant awards, as required by the Office of Grants Management policy.</p>	<p>The Department of Human Services should assess the financial stability of all nongovernmental entities before making grant awards over \$25,000, as required by the Office of Grants Management policy.</p> <p>The Department of Human Services should ensure it has adequate controls, such as supervisory review and sufficient instructions, to assess financial stability of nongovernmental entities in compliance with the Office of Grants Management policy.</p>

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (continued)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Department of Human Services: Homelessness and Housing Support Grants</i></p> <p>Financial Audit Division</p> <p>2022</p> <p>(continued)</p>	Active Grant	<p>(Recurring finding). The Department of Human Services did not ensure grantees submitted required progress reports and issued payments to grantees with past-due progress reports for its recurring homelessness and housing support grants.</p>	<p>The Department of Human Services should not issue grant payments to grantees until grant managers obtain and review progress reports.</p> <p>The Department of Human Services should create specific policies and procedures, such as standardized progress review checklists, to ensure grant managers review and document the review of progress reports in a consistent manner.</p>
	Active Grant	<p>(Recurring finding). The Department of Human Services did not perform required monitoring visits and financial reconciliations for some grants, as required by the Office of Grants Management policies.</p>	<p>The Department of Human Services should complete financial reconciliations for grants over \$50,000, conduct monitoring visits to grantees, and retain sufficient monitoring documentation.</p> <p>The Department of Human Services should document its reviews of grantees' fiscal and accounting practices while performing required monitoring visits.</p> <p>The Department of Human Services should have effective controls to ensure monitoring activities are performed timely and accurately and are supported by documentation. These controls may include training and supervisory review.</p>
	Active Grant	<p>(Recurring finding). The Department of Human Services did not timely and accurately reconcile advance payments and may not have collected all unexpended funds.</p>	<p>The Department of Human Services should timely reconcile advance payments issued to grantees.</p> <p>The [Department of Human Services] should obtain final reports from the remaining seven grantees and collect any unexpended funding.</p> <p>The Department of Human Services should strengthen its controls over reconciliations of advance payments through training and supervisory review.</p>
	Closeout	<p>(Recurring finding). The Department of Human Services did not perform closeout evaluations of some grantees, as required by the Office of Grants Management policy.</p>	<p>The Department of Human Services should conduct and document closeout evaluations of grantees, as required by the Office of Grants Management policy.</p> <p>The Department of Human Services should ensure grant managers timely complete closeout evaluations, as required by the Office of Grants Management policy.</p>
<p><i>Department of Iron Range Resources and Rehabilitation</i></p> <p>Financial Audit Division</p> <p>2022</p>	Active Grant	<p>The Department of Iron Range Resources and Rehabilitation did not always monitor grants as required by state policy.</p>	<p>The Department of Iron Range Resources and Rehabilitation should strengthen internal controls over grants to ensure it effectively monitors grants as required by state policy.</p>

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (continued)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Department of Human Services: Behavioral Health Grants Management</i></p> <p>Financial Audit Division</p> <p>2021</p>	Active Grant	DHS and the Behavioral Health Division (BHD) lacked effective oversight of BHD grant administration to ensure compliance with Office of Grant Management policies and related legal requirements.	<p>The Department of Human Services should conduct a required risk assessment of the Behavioral Health Division's oversight of grants.</p> <p>The DHS Behavioral Health Division should design, implement, and maintain effective internal controls to administer grants and ensure compliance with Office of Grants Management policies and procedures and related legal requirements.</p>
	Active Grant	The DHS Behavioral Health Division did not have adequate internal controls or comply with legal requirements to make and preserve documentation related to grant management.	<p>The DHS Behavioral Health Division should implement effective internal controls to ensure grant management documentation is created and preserved in accordance with legal requirements and DHS's records retention schedules.</p> <p>The DHS Behavioral Health Division should make and preserve documentation related to grant oversight in accordance with legal requirements and DHS's records retention schedules.</p>
	Active Grant	DHS Behavioral Health Division administrators did not ensure that employees had the appropriate skills, knowledge, and job descriptions to manage grants in compliance with state and federal requirements.	<p>The DHS Behavioral Health Division should implement effective internal controls and update position descriptions to ensure employees have the necessary training, skills, knowledge, and experience to effectively manage grants in accordance with state and federal requirements.</p> <p>DHS Behavioral Health Division managers should assign grant oversight responsibilities to employees who have adequate grant management training, skills, knowledge, and experience.</p>
	Pre-Award	The DHS Behavioral Health Division did not comply with state requirements to document and retain conflict of interest disclosures.	<p>The DHS Behavioral Health Division should implement effective internal controls to ensure employees involved in the grant process comply with state requirements regarding conflict of interest disclosure.</p> <p>The DHS Behavioral Health Division should identify and mitigate conflicts of interest for grant administration and document and preserve required disclosures and resolutions.</p>
	Pre-Award	The DHS Behavioral Health Division issued requests for proposals that omitted required information.	<p>The DHS Behavioral Health Division should strengthen its internal controls to ensure grant administrators use DHS's standard RFP templates.</p> <p>The DHS Behavioral Health Division should include all of the required information in its requests for proposals.</p>

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (continued)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Department of Human Services: Behavioral Health Grants Management</i> Financial Audit Division 2021 (continued)</p>	Pre-Award	The DHS Behavioral Health Division did not always use a required standardized scoring process when evaluating grant applications through a competitive bid process.	<p>The DHS Behavioral Health Division should implement effective internal controls to ensure grant evaluators comply with state requirements for awarding competitive bid grants.</p> <p>As part of evaluating competitive bid grant applications, the DHS Behavioral Health Division should use a standardized scoring system with selection criteria that are published in a request for proposal.</p>
	Pre-Award	The DHS Behavioral Health Division did not comply with state requirements to determine whether grant recipients were financially stable prior to awarding the grant.	<p>The DHS Behavioral Health Division should implement effective controls to ensure grant application evaluators comply with state requirements and review the financial stability of potential grantees before approving a grant award.</p> <p>The DHS Behavioral Health Division should review the financial stability of potential grantees before approving a grant award.</p>
	Pre-Award	For some competitive bid grants, the DHS Behavioral Health Division did not demonstrate it complied with state requirements when selecting grantees.	<p>The DHS Behavioral Health Division should implement effective internal controls to ensure grant evaluators comply with state requirements for awarding competitive bid grants.</p> <p>The DHS Behavioral Health Division should comply with OGM policy that requires state agencies to award grants to applicants that most closely meet selection criteria and document other rationale for selecting grantees.</p>
	Active Grant	The DHS Behavioral Health Division did not ensure that appropriate staff approved advance payments to grantees and, for some grants, document required rationale for the payments.	<p>The DHS Behavioral Health Division should strengthen its internal controls to ensure grant managers comply with state requirements and properly review grantees' financial situations and document justification for advance payments.</p> <p>The DHS Behavioral Health Division should ensure that grant managers properly review grantees' financial situations and document justification for advance payments.</p>
	Active Grant	The DHS Behavioral Health Division did not ensure grantees submitted required progress reports, and grant managers did not withhold payments to grantees whose reports were past due.	<p>The DHS Behavioral Health Division should implement an effective internal control to ensure grant managers comply with state requirements and obtain and review progress reports prior to making payments to grantees.</p> <p>The DHS Behavioral Health Division should obtain and review required progress reports and, for grantees whose reports are past due, withhold payments until they receive adequate reports or approve extensions.</p>

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (continued)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Department of Human Services: Behavioral Health Grants Management</i></p> <p>Financial Audit Division</p> <p>2021</p> <p>(continued)</p>	Active Grant	The DHS Behavioral Health Division did not always obtain required documentation or approval for payments to grantees.	<p>The DHS Behavioral Health Division should strengthen internal controls to ensure grant managers and grant accountants comply with state requirements to review and approve grantees' expenditure reports prior to making payments to grantees.</p> <p>The DHS Behavioral Health Division should obtain and properly review and approve grantees' expenditure reports prior to making payments to grantees.</p>
	Active Grant	The DHS Behavioral Health Division did not conduct and document required monitoring visits of grantees.	<p>The DHS Behavioral Health Division should implement effective internal controls to ensure grant managers comply with state requirements and conduct monitoring visits of grantees before making final payment.</p> <p>The DHS Behavioral Health Division should conduct and document required monitoring visits of grantees before making final payment.</p>
	Active Grant	The DHS Behavioral Health Division did not conduct and document required financial reconciliations of grantees' expenditures.	<p>The DHS Behavioral Health Division should implement effective internal controls to ensure grant managers comply with state requirements and conduct and document financial reconciliations of grantees' expenditures before making final payment.</p> <p>The DHS Behavioral Health Division should conduct and document required financial reconciliations of grantees' expenditures before making final payment.</p>
	Closeout	The DHS Behavioral Health Division did not complete required closeout evaluations of grantees.	<p>The DHS Behavioral Health Division should implement an effective control to ensure grant managers comply with state requirements and complete closeout evaluations of grantees.</p> <p>The DHS Behavioral Health Division should conduct and document closeout evaluations of grantees.</p>
<p><i>Collaborative Urban and Greater Minnesota Educators of Color (CUGMEC) Grant Program</i></p> <p>Program Evaluation Division</p> <p>2021</p>	Pre-Award	The Professional Educator and Licensing Standards Board's (PELSB's) CUGMEC application and application scoring rubric reflected most, but not all, of the information on which PELSB must base its grant awards.	PELSB should ensure that the CUGMEC grant application and scoring rubric incorporate all information needed to meet requirements for awarding grants.

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (continued)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Collaborative Urban and Greater Minnesota Educators of Color (CUGMEC) Grant Program</i></p> <p>Program Evaluation Division</p> <p>2021</p> <p>(continued)</p>	<p>Pre-Award</p>	<p>PELSB took steps to make its grant award process transparent, but it did not fully document decisions regarding reviewers' declared conflicts of interest.</p>	<p>PELSB should document the resolution of all conflicts of interest.</p>
<p><i>State Services for Persons with Hearing and Vision Disabilities</i></p> <p>Financial Audit Division</p> <p>2020</p>	<p>Pre-Award, Active Grant</p>	<p>The Department of Human Services, Deaf and Hard of Hearing Services Division did not identify and mitigate grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipient expenditures, as required by state policy.</p>	<p>The Department of Human Services, Deaf and Hard of Hearing Services Division should design its controls to ensure it identifies and mitigates grant reviewer conflict of interest, monitors grant recipients, and conducts financial reconciliations of grant recipients' expenditures.</p> <p>The Department of Human Services, Deaf and Hard of Hearing Services Division should identify and mitigate possible grant reviewer conflicts of interest, monitor grant recipients, and conduct financial reconciliations of grant recipients' expenditures, as required by state policy.</p>
<p><i>Minnesota State Arts Board Grant Administration</i></p> <p>Program Evaluation Division</p> <p>2019</p>	<p>Pre-Award</p>	<p>The Arts Board does not require all staff involved in the grant process to declare conflicts of interest.</p>	<p>The Arts Board should require all staff who are involved with any part of the grantmaking process to disclose conflicts of interest.</p>
	<p>Pre-Award</p>	<p>While the Arts Board grant contracts we reviewed were fairly comprehensive, some aspects of the Artist Initiative contracts and related communications were unclear or inconsistent.</p>	<p>The Arts Board should align its grant contracts, program guides, award letters, and grant-making practices with each other and with state laws and policies.</p>
	<p>Pre-Award</p>	<p>The Arts Board sent grant contracts to the three regional arts councils we reviewed before receiving their final biennial plans.</p>	<p>The Arts Board should send grant contracts to regional arts councils only after it has accepted their final biennial plans.</p>
	<p>Active Grant</p>	<p>The Arts Board's approach to monitoring Operating Support grants may not be sufficient to detect misuse of state funds.</p>	<p>The Arts Board should require recipients of Operating Support grants to provide an annual accounting of how they used state funds.</p> <p>The Arts Board should conduct monitoring visits for each Operating Support grant over \$50,000.</p>

Office of the Legislative Auditor (OLA) Reports, Findings and Recommendations on Grants Management, 2017-2022 (concluded)

Report, OLA Division, and Calendar Year Issued	Grant Lifecycle Stage (Pre-Award, Active Grant, or Closeout)	Finding	Recommendation
<p><i>Minnesota State Arts Board Grant Administration</i></p> <p>Program Evaluation Division</p> <p>2019</p> <p>(continued)</p>	Active Grant	The Artist Initiative final reports we reviewed did not include evidence that Arts Board staff identified or investigated uses of state funds that we found questionable.	When Arts Board staff question grantees' uses of state funds, they should document their questions and final conclusions in grant files.
	Active Grant	The Arts Board has allowed Artist Initiative grantees to make significant changes to their projects without requesting a contract amendment.	The Arts Board should develop and follow clear standards for Artist Initiative contract amendments.
	Active Grant	The Arts Board reviewed final reports and conducted monitoring conversations and reconciliations for the three regional arts councils we reviewed, but the board did not check compliance with all legal requirements.	The Arts Board should ensure that regional arts councils comply with all legal requirements associated with state funding.
	Active Grant	The regional arts councils we reviewed may not have complied with legal requirements to identify measurable program outcomes.	Regional arts councils should develop measurable program outcomes for their grant programs and plans for measuring them.
<p><i>Minnesota Board of Water and Soil Resources</i></p> <p>Financial Audit Division</p> <p>2018</p>	Pre-Award	The Board of Water and Soil Resources did not properly resolve conflicts of interest.	The Board of Water and Soil Resources should actively manage potential conflicts of interest, as required by state law and policy.
<p><i>Department of Veterans Affairs</i></p> <p>Financial Audit Division</p> <p>2017</p>	Active Grant	The Department of Veterans Affairs did not administer grants in compliance with certain state policies.	The Department of Veterans Affairs should continue to strengthen its procedures to ensure it administers grants in compliance with state policies.

Notes: We included only those reports with findings and recommendations related to state agencies' compliance with Office of Grants Management (OGM) grants management policies. We included select findings and recommendations within each report that pertained to state agency compliance with grants management requirements. For simplicity, we use "state agencies" to refer to executive branch entities that make grants. State agencies may include executive branch agencies, boards, commissions, councils, authorities, and task forces.

Source: Office of the Legislative Auditor.



OLA

Appendix D

Comparison of OGM Policies to Recommended Practices in Grants Management

The Legislative Audit Commission directed the Office of the Legislative Auditor (OLA) to evaluate the comprehensiveness of the Office of Grants Management (OGM) policies for managing grants to nonprofit organizations. As part of this evaluation, we identified recommended practices in grants management and compared OGM policies to these practices.

To identify recommended practices, we reviewed select reports completed within the last fifteen years that (1) evaluated a particular grant program or (2) identified more general challenges and recommendations related to grants management or oversight of grant programs. We reviewed reports from various types of organizations, and included 20 in our analysis, as described below.

Federal Agency Reports. We reviewed reports on grants management practices or oversight published by federal agencies. We reviewed reports from the Congressional Research Service, the U.S. Department of the Interior Office of Inspector General, the U.S. Department of Justice Office of the Inspector General, and the U.S. Government Accountability Office.

National Organizations. We reviewed reports from national organizations that offer resources for grants management. These organizations included The Pew Charitable Trusts, the Urban Institute, the Government Finance Officers Association, and the National Grants Management Association.

Academic Journals. We reviewed reports published in several academic journals identified by the Minnesota Legislative Reference Library staff. These included The Foundation Review, the Journal of Health and Human Services Administration, the Journal of Government Financial Management, the American Review of Public Administration, and the Public Administration Review.

In total, we identified approximately 90 practices in grants management that organizations broadly identified as promising, leading, or recommended to improve grant oversight. For simplicity, we refer to these practices as “recommended practices.” We grouped similar practices together to identify 24 broad recommended practices in grants management. The following table outlines each of these recommended practices and provides examples of key activities recommended by one or more of the organizations mentioned above. The table also shows the extent to which OGM policies reflect these recommended practices in grants management.

Comparison of OGM Policies to Recommended Practices in Grants Management

Recommended Practice	Examples of Recommended Activities	Reflected in OGM Policy (Yes, No, Partially)	Relevant OGM Policy
Collaborate with grant recipients	OGM policies at least partially reflect half of the recommended activities that we identified.	Partially	
	Balance program fidelity with local needs so that program adaptations reflect cultural differences but do not negatively affect outcomes.	Partially	08-02
	Collaborate with grantees, particularly with regard to information sharing.	Yes	08-03 08-11
	Develop mutually beneficial accountability processes with grantees. Agencies could create a nonprofit organization liaison.	No	
	Establish formal feedback loops with grantees to obtain information on how well grant processes are working.	Partially	08-09
	Establish relationship with nonprofit organizations built on mutual respect and accountability for service provisions, focusing on finding solutions with grantees.	Partially	08-10
	Facilitate open, clear, and ongoing communication with applicants and grantees throughout the lifecycle of the grant. Agencies could use communication tools, such as blogs or wiki applications.	No	
	Hold post-award conferences with grantees to discuss goals, reporting requirements, and corrective action plans.	No	
Conduct business process analysis	OGM policies do not reflect most of the recommended activities that we identified.	Partially	
	Categorize funded programs based on strength of evidence of their effectiveness. Categories could include programs that are evidence-based or promising.	No	
	Compare processes, requirements, reimbursement limits, and fees used for nonprofit organizations and for-profit contractors to identify potential inequities.	No	
	Conduct business process analysis on grants management processes, such as reviewing grant timeline and application requirements, and evaluating training provided to grant staff.	No	
	Develop an inventory of funded programs to provide a baseline for leaders to identify which programs are effective and which are not. The inventory could include funding levels, services delivered, and populations served.	No	
	Eliminate duplicative requests for information in grant programs. Duplicate requests add administrative burden to agencies and grantees.	No	
	Review monitoring processes to identify strengths and weaknesses.	No	
	Review procedures for reporting indicators of misuse of grant funds to appropriate authorities.	Partially	08-05
Streamline grants management requirements that are duplicative, unnecessarily burdensome, or conflicting.	No		

Comparison of OGM Policies to Recommended Practices in Grants Management (continued)

Recommended Practice	Examples of Recommended Activities	Reflected in OGM Policy (Yes, No, Partially)	Relevant OGM Policy
Conduct site visits	OGM policies do not reflect most of the recommended activities that we identified.	Partially	
	Conduct onsite reviews of grantees during the grant period.	Partially	08-10
	Conduct site visits early in the grant period so that grantees have opportunity to improve performance.	No	
	Employ early intervention teams to conduct site visits to high-risk grantees within 30 days of grant award.	No	
	Increase the number of site visits conducted, particularly for new grantees or those with prior challenges managing a grant.	No	
Develop centralized grants management system	OGM policies do not reflect the recommended activities that we identified.	No	
	Develop a centralized database for grant documents that all agencies use and that allows for data exchange between agencies. Uploaded documents could include proof of nonprofit status, licenses, or audit documents.	No	
	Develop online grants management system to track program operations, progress, and measure results. Systems also enable grantees to monitor their own effectiveness.	No	
	Establish a single payment system for grantees so that grantees may submit a consolidated set of financials, progress reports, and other documents across grant-making agencies.	No	
	Maintain systems to provide information to all involved parties, identify and segregate grant costs, and track capital items	No	
	Upgrade and automate technology and grants systems to streamline grant processes and save time.	No	
	Use a workflow management system that allows users to find grant requirements, application requirements, work plans, and how funds have been spent.	No	
	OGM policies at least partially reflect half of the recommended activities that we identified.	Partially	
Develop formal grants policies	Develop formal grants policies so that grantees are not treated differently.	Yes	08-01 through 08-13
	Establish a grant administrative oversight policy that requires certain steps be taken before applying for or accepting grants, and ongoing operations of a grant.	No	
	Establish policy for when to allow retroactive approval of violations of grant requirements or conditions.	Partially	08-12
	Implement prompt payment processing standards and follow through.	No	

Comparison of OGM Policies to Recommended Practices in Grants Management (continued)

Recommended Practice	Examples of Recommended Activities	Reflected in OGM Policy (Yes, No, Partially)	Relevant OGM Policy
Develop internal controls	OGM policies do not reflect the recommended activities that we identified.	No	
	Develop and maintain internal controls for accounting and financial reporting, program administration, compliance with legal requirements, and ensuring reliability of information obtained from third parties.	No	
	Ensure efficient financial management of grants, such as creating appropriate cash management procedures for funds disbursement and maintaining a process to ensure costs charged to grants are allowable.	No	
Develop risk assessments	OGM policies partially reflect less than half of the recommended activities that we identified.	Partially	
	Automatically designate some municipalities as high-risk and place grantees into a certain category from which different levels of documentation and monitoring may be required.	No	
	Enhance pre-award screening to ensure that all applications meet program objectives and requirements.	No	
	Develop risk assessments for grantees that include establishing criteria to assess risk with new grantees, including inadequate separation of cash-related duties, inadequate internal controls, inadequate financial management system, prior grant mismanagement, and prior fraud.	Partially	08-06 08-13
	Identify red flags during application process, including identifying whether the grantee has written accounting procedures, an inventory system, established performance measures, a management risk assessment process in place, and a records retention policy.	Partially	08-06 08-13
	Require high-risk grantees to use separate bank accounts for grant funds to establish more transparency of grant funding and reduce the ability of grantees to improperly use grant funds.	No	
Establish clear expectations and roles	OGM policies at least partially reflect the recommended activities that we identified.	Partially	
	Establish clear expectations for roles, responsibilities, and obligations for program and agency staff.	Partially	08-04 08-05
	Write effective grant agreements that clearly inform grantees of their responsibilities and includes a clear statement of work.	Yes	08-04 08-09
Establish clear performance measures	OGM policies do not reflect the recommended activities that we identified.	No	
	Assist grantees with determining performance metrics and the appropriate information to collect.	No	
	Establish clear performance measures for grant programs to ensure that program objectives are met. Measures should be specific, measurable, attainable, results-oriented, and timely.	No	
	Establish meaningful performance measuring systems that includes the needs of stakeholders, such as measuring program outputs, intermediate outcome data, and long-term trends.	No	

Comparison of OGM Policies to Recommended Practices in Grants Management (continued)

Recommended Practice	Examples of Recommended Activities	Reflected in OGM Policy (Yes, No, Partially)	Relevant OGM Policy
Establish clear reporting requirements	OGM policies partially reflect most of the recommended activities that we identified.	Partially	
	Establish reporting requirements for progress reports, including timely reporting.	Partially	08-09
	Require grantees to periodically report results. Regular reporting allows for opportunities to make adjustments if needed and reduces the risk of wasted grant funding.	Partially	08-09
	Require specificity in grantee reporting, including expenditures by line item compared to budgets so that spending is transparent.	No	
Establish closeout procedures	OGM policies partially reflect recommended activities that we identified.	Partially	
	Establish timely closeout procedures to ensure that grantees have met financial and reporting requirements, and agencies can redirect unused funds.	Partially	08-13
	Track undisbursed grant funding and report on the status of the funding.	Partially	08-13
Establish evidence-based contracts	OGM policies do not reflect the recommended activity that we identified.	No	
	Encourage evidence-based service delivery by establishing tiers of grant funding based on the level of evidence of effectiveness provided for a grantee's service model.	No	
Evaluate grant programs	OGM policies do not reflect the recommended activity that we identified.	No	
	Evaluate grant programs, including program goals, objectives, and timetables.	No	
Increase documentation standards	OGM policies at least partially reflect most of the recommended activities that we identified.	Partially	
	Document award process decisions, including the basis for non-competitive awards, peer reviewers' reports, the basis for award selections, and procedures used to mitigate conflicts of interest.	Yes	08-01 08-02 08-03 08-06 08-07
	Document grantee requests in writing.	Yes	08-08 08-12
	Document and report to appropriate authorities alleged misuse of grant funds.	Partially	08-05 08-13
	Develop monitoring plans with defined program goals, objectives, timetables, and requirements for tracking financial and performance information, and document whether the monitoring plans were executed.	Partially	08-10
	Gather supporting documentation for randomly selected financial status reports.	Partially	08-10
	Maintain grantee timesheet documentation for grant and non-grant activities.	No	
	Require grantees to certify statements made in the grant application.	Partially	08-04

Comparison of OGM Policies to Recommended Practices in Grants Management (continued)

Recommended Practice	Examples of Recommended Activities	Reflected in OGM Policy (Yes, No, Partially)	Relevant OGM Policy
	Require supporting documentation of grant expenditures and achievements for high-risk grantees.	Partially	08-08 08-10
Increase grants management training	OGM policies partially reflect over half of the recommended activities that we identified.	Partially	
	Include fraud awareness information in a grantee's award package.	No	
	Increase nonprofit organizations' knowledge and capacity to manage grants. Activities could include webinars, trainings, workshops, online resources, or hiring consultants to help grantees build capacity. Agencies can develop certification programs for grant administrators.	No	
	Provide training on grant fraud to grant recipients that emphasizes how to report fraud. Agencies could implement fraud awareness briefings that detail how to prevent, identify, and report fraud.	Partially	08-05
	Train grant administrators on grant fraud indicators and financial and programmatic requirements.	Partially	08-05
	Train investigators and auditors on effective prevention and prosecution of grant fraud.	Partially	08-05
Monitor grant implementation	OGM policies at least partially reflect less than half of the recommended activities that we identified.	Partially	
	Create a consolidated audit system for reviewing audit reports and tracking findings. The system could be a modern, cloud-based platform and a shared service that integrates with agency systems.	No	
	Develop a hands-on approach to monitoring that includes site visits, periodic meetings with grantees, attending meetings associated with the project, recording progress, and assessing the need for corrective action.	Partially	08-10 08-11
	Develop implementation standards for service delivery to ensure that providers understand expectations. Standards can help providers track progress and make mid-course corrections.	No	
	Establish a grant administrative oversight committee that that is interdisciplinary. The committee could analyze grants before they are renewed.	No	
	Establish cross-functional grant teams that oversee grants. Teams could be assigned a portfolio of grants.	No	
	Monitor grantee performance against challenging goals.	Partially	08-09 08-10 08-11
	Routinely audit grant programs to detect fraud and waste of funds and follow up on audit reports.	No	
	Routinely audit performance measurement systems for collecting and reporting performance data. Routine audits provide reasonable assurance that information is accurate.	No	
	Review progress reports to determine if grantees are meeting program objectives or if grantees are at risk for falling behind.	Yes	08-09 08-11
	Use special conditions for high-risk grantees, such as requiring third-party management of funds, authorization to proceed with the next phase of the project, and detailed financial reports.	No	

Comparison of OGM Policies to Recommended Practices in Grants Management (continued)

Recommended Practice	Examples of Recommended Activities	Reflected in OGM Policy (Yes, No, Partially)	Relevant OGM Policy
Provide assistance with grant application process	OGM policies do not reflect the recommended activity that we identified.	No	
	Provide assistance for applying for grant opportunities, including online access for completing and submitting applications. Agencies should answer applicants' application questions within one business day.	No	
Publicize grant information	OGM policies at least partially reflect most of the recommended activity that we identified.	Partially	
	List grant opportunities online to increase transparency for grant opportunities.	Partially	08-03
	Make subgrant award documents public to make subrecipients more likely to follow award guidelines.	No	
	Publicize grant information of state agencies to increase transparency on grants and foster public inspection and review. The risk of misuse of grant funds may be reduced with public disclosure of grant information.	Partially	08-03
Report misuse of grant funds	OGM policies partially reflect most of the recommended activities that we identified.	Partially	
	Strengthen procedures for referring problem grantees to provide detailed information to investigators on the problems with a grantee.	Partially	08-05
	Require grantees to display posters in common areas to ensure proper fraud referrals.	No	
	Refer to appropriate authorities credible evidence of misuse of grant funds.	Partially	08-05
Report on grant performance	OGM policies do not reflect the recommended activities that we identified.	No	
	Collect and report data on grant practices to assess their effects on nonprofit organizations, including administrative expense reimbursement, late payments, changes to grant contract agreements, and matching requirements.	No	
	Regularly report performance data to policymakers to ensure effective oversight of the program. Agencies could create report cards or dashboards that focus on program performance.	No	
	Report to the granting agency on the managing agency's grant monitoring and oversight activities.	No	
	Enhance reporting requirements to allow nonprofit organizations to better demonstrate their effectiveness and achievements.	No	

Comparison of OGM Policies to Recommended Practices in Grants Management (continued)

Recommended Practice	Examples of Recommended Activities	Reflected in OGM Policy (Yes, No, Partially)	Relevant OGM Policy
Review grantee's previous awards and performance	OGM policies at least partially reflect the recommended activities that we identified.	Partially	
	Check grant applicant's grant funding for potential duplication and overlap in applicant's grant funding prior to making a grant award. Agencies could benefit from consistent approaches to collecting data on potential duplication in grant funding.	Partially	08-02 08-13
	Check past grantee performance before deciding grant award, including open audit reports and criminal investigations.	Partially	08-02
	Use performance information to guide management decisions, including identifying problems, taking corrective actions, and identifying and sharing leading practices.	Yes	08-02 08-06 08-10 08-13
Share grantee information across agency(ies)	OGM policies partially reflect the recommended activity that we identified.	Partially	
	Share grantee information across agency(ies) to mitigate the risk of awarding funds to high-risk grantees; including Information on potentially fraudulent grant recipients or fraud schemes can help reduce the risk of grant fraud. Agencies can establish grant fraud coordinators.	Partially	08-13
Solicit competition for grant awards	OGM policies partially reflect half of the recommended activities that we identified.	Partially	
	Solicit competition for grant awards to the greatest extent possible. Agencies could establish public funding opportunities, require a certain amount of public funds be allocated competitively, and solicit applications from a variety of applicants to ensure fairness.	Partially	08-07 08-11
	Use grant competitions to encourage adoption of evidence-based programs. Potential grant recipients would be eligible if they meet certain criteria, such as services that are consistent with evidence-based practices.	No	
Standardize grant forms	OGM policies partially reflect the recommended activity that we identified.	Partially	
	Standardize grant forms across agencies. These include forms for applications, financial reports, and outcome reporting. Forms could include common definitions and standard accounting budget categories.	Partially	08-04 08-07

Comparison of OGM Policies to Recommended Practices in Grants Management (concluded)

Note: For our review, we focused only on OGM policies; other state agencies may have policies relevant to the recommended practices we identified, but these were out of the scope of our review.

Sources: Office of the Legislative Auditor, review of the following:

Center for Digital Government, *Optimizing Grants Management in State and Local Government* (2021);

Dilger, Robert, Jay, Congressional Research Service, *Federal Grants to State and Local Governments: An Historical Perspective on Contemporary Issues* (Washington, DC, April 15, 2014);

Government Finance Officers Association, *Best Practices: Establishing a Grants Administration Oversight Committee* (Chicago, IL, January 31, 2015);

Government Finance Officers Association, *Best Practices: Grants Administration* (Chicago, IL, May 31, 2013);

Government Finance Officers Association, *Best Practices: Establishing an Effective Grants Policy* (Chicago, IL, February 28, 2013);

Muller, Robert, D., "Transforming Grants Management: A Strategic Approach to Improving Performance and Reducing Burden," *Journal of National Grants Management* 17, no. 1 (2009): 25-35;

Fyffe, Saunji, D., Urban Institute, *Nonprofit-Government Contracts and Grants: The State Agency Perspective* (Washington, DC, October 2015);

Pettijohn, Sarah, L., et al., Urban Institute, *Nonprofit Government Contracts and Grants: Findings From the 2013 National Survey* (Washington, DC, December 2013);

The Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation, Pew-MacArthur Results First Initiative, *Evidence-Based Policymaking: A Guide for Effective Government* (Washington, DC, and Chicago, IL, November 2014);

Poister, Theodore H. et al., "The Impact of Performance-Based Grants Management on Performance: The Centers for Disease Control and Prevention's National Breast and Cervical Cancer Early Detection Program," *American Review of Public Administration* 48, no. 5 (2018): 444-457;

Subhash, Kari, National Grants Management Association, *Industry Insight: 5 Fixes for Grants Management* (Sterling, VA), https://www.ngma.org/index.php?option=com_dailyplanetblog&view=entry&category=grants-guidance&id=13:industry-insight-5-fixes-for-grants-management, accessed May 23, 2023;

United States Department of Justice, Office of the Inspector General, *A Guide to Grant Oversight and Best Practices for Combating Grant Fraud* (Washington, DC, February 2009);

United States Department of Justice, Office of the Inspector General, *Improving the Grant Management Process* (Washington, DC, February 2009);

United States Department of the Interior, Office of Inspector General, *Framework Needed to Promote Accountability in Interior's Grants Management* (Washington, DC, August 2005);

Comptroller General of the United States, Government Accountability Office, *Foreign Assistance: Federal Monitoring and Evaluation Guidelines Incorporate Most but Not All Leading Practices* (Washington, DC, July 2019);

Comptroller General of the United States, Government Accountability Office, *Grants Management: Observations on Challenges and Opportunities for Reform* (Washington, DC, July 2018);

Comptroller General of the United States, Government Accountability Office, *Grants Management: Improved Planning, Coordination, and Communication Needed to Strengthen Reform Efforts* (Washington, DC, May 2013);

Comptroller General of the United States, Government Accountability Office, *Grants Workforce: Actions Needed to Ensure Staff Have Skills to Administer and Oversee Federal Grants* (Washington, DC, September 2018);

Comptroller General of the United States, Government Accountability Office, *Selected Agencies Should Clarify Merit-Based Award Criteria and Provide Guidance for Reviewing Potentially Duplicative Awards* (Washington, DC, January 2017);

Comptroller General of the United States, Government Accountability Office, *Wildlife and Sport Fish Restoration: Competitive Grant Programs Managed Consistently with Relevant Regulations, but Monitoring Could Be Improved* (Washington, DC, February 2018); and

Minnesota Department of Administration, Office of Grants Management, Operating Policies and Procedures 08-01 through 08-13.



OLA

January 25, 2023

Ms. Judy Randall
Office of the Legislative Auditor
Centennial Office Building, Room 140
658 Cedar Street
Saint Paul, MN 55155

Dear Ms. Randall:

Thank you for the opportunity to review and comment on the Office of the Legislative Auditor's program evaluation of the Office of Grants Management (OGM) policies. We appreciate the opportunity to work with the OLA in identifying ways in which OGM could improve on its statutory duties and work with its partners.

The Department of Administration (Admin) takes its responsibility to ensure compliance with legal requirements seriously. The OLA's careful review of Admin's initial comments and subsequent revisions to make the report as accurate, clear, and objective as possible are appreciated.

Admin's response to each of the recommendations in the performance evaluation is detailed below.

Recommendation:

OGM should strengthen its grant management policies and provide more specific guidance to state agencies on how to implement the policies.

Response:

Admin partially agrees with this recommendation. We believe that the OGM policies are sufficient in requiring the necessary internal controls to prevent fraud, waste, and abuse. While the OLA has recommended that OGM add specific practices and additional requirements to the OGM policies, we believe that the policies, as written, set forth an important balance between establishing best practices, while broadly accommodating the variety of grants administered by state agencies. Agencies have the option to create their own stricter policies or procedures, as needed, respective to their grants. However, we agree that more specific guidance may be required to provide clarity for agencies on how to properly implement and comply with the policies.

Recommendation:

The Legislature should require OGM to develop a grants management training program for state agency staff.

Response:

Admin agrees with this recommendation and notes that OGM does provide a training program for state agency staff on the 13-policy framework. A more comprehensive or specific training program for grant managers and other staff involved in the grants process would require an investment by the Legislature for OGM to develop, provide, and update the training as needed. The Governor's budget recommendations, released to the public in December 2022, include additional resources for OGM that could allow for this type of comprehensive training program.

Recommendation:

The Legislature should require all state agency grants management staff to complete a grants management training program.

Response:

Admin agrees with this recommendation. The development of an online training course and monitoring agency compliance would require an investment by the Legislature. As referenced above, the Governor's budget recommendations include the expansion of OGM, which could include this type of training program.

Recommendation:

The Legislature should direct OGM to develop standards for consistently funding grants management activities at state agencies.

Response:

Admin agrees with this recommendation. Prior budgets proposed by the Governor, as well as the current budget released to the Legislature, have included amendments to Minnesota Statutes, section 16B.98, to allow state agencies to retain up to five percent for legislatively named and formula grants and up to 10 percent for competitively awarded grants for grant administration. This ensures that when appropriation language is silent on grant administration, minimal funds are available to ensure compliance with state law and policies along with an appropriate level of assistance for grantees. Ensuring that every state grant appropriation includes funding for administrative tasks will result in enhanced stewardship of grant funds.

Recommendation:

The Legislature should increase external monitoring of grants management in executive branch agencies.

Response:

Admin agrees with this recommendation. As described above, the Governor's budget recommendations include an expansion of OGM. The proposed expansion will increase OGM's responsibility and provide the state enterprise with additional resources that can support granting agencies with their ongoing

grant monitoring responsibilities. It also includes funding for a study on acquiring and implementing an enterprise grants management system.

It is important to recognize that granting agencies have internal and subject matter content experts for multiple aspects of grant administration and grant management. Thus, granting agencies must have the internal infrastructure and resources, such as internal auditors, as part of an agency's organizational structure to establish and ensure compliance with any necessary policies and procedures.

Recommendation:

The Legislature should direct Admin to develop recommendations for improving access to comprehensive statewide data on state-funded grants.

Response:

Admin partially agrees with this recommendation. The development of recommendations would need to include multiple stakeholders in addition to Admin, including executive branch granting agencies and grantees given the complex set of variables, legal requirements, and needs of diverse stakeholders. Admin is committed to a planning process which will incorporate a phased and systems-level approach. Additionally, as noted above, the Governor's budget recommendations include funding for a study on acquiring and implementing an enterprise grants management system.

We appreciate the opportunity to respond to your recommendations and the opportunity to work with you throughout this performance evaluation. We value the work of your office and the professionalism of your staff.

If you have any questions or need additional information, please contact Stacie Christensen at 651-201-2500.

Sincerely,



Alice Roberts-Davis
Commissioner



OLA



January 25, 2023

Judy Randall
Legislative Auditor
Office of the Legislative Auditor
140 Centennial Building 658 Cedar Street
St. Paul, MN 55155

Dear Ms. Randall,

Thank you for the opportunity to respond to the Office of the Legislative Auditor's ("OLA") program evaluation of State Funded Grants to Non-Profit Organizations. The Minnesota Department of Education (the "Department" or "MDE"), appreciates the time and effort that was put into the review of these programs, as well as the collegial and collaborative process through which OLA engaged MDE.

The department takes its responsibility to manage grants seriously and agrees that its procedures, training, and documentation can be improved. MDE has already begun to take steps that are aligned with the two recommendations made by the OLA:

- Create agency-specific grants management procedures that provide more specific direction to grant managers; train grant and program managers in the grant management procedures; ensure compliance by instituting regular internal monitoring processes.
- Ensure grant managers are trained in and comply with all Department of Administration, Office of Grant's Management (OGM) policies.

MDE has started providing training courses for all persons responsible for managing grants, this includes both grant specialists working in the grants division and authorized representatives (AR) working in the program area administering the grant (for simplicity the term grant manager is used in this letter to apply to both categories). These courses include: AR 101 training and AR 102 trainings which build the foundation for grant managers. Specifically, AR 101 provides an overview of the grant process, while AR 102 does a deeper dive into the responsibilities of being a grant manager, specifically detailing duties and responsibilities for reporting and monitoring. Moving forward, all grant managers at MDE will be required to successfully complete these courses. Agency Finance will also be working closely with the staff who have been identified as ARs to ensure they understand all of the responsibilities associated with the grants they have been assigned to manage.

MDE is reviewing and updating its grants standards of work with the grants staff to ensure MDE's agency specific policies align with OGM policies. In order to make sure that MDE policies are as clear as possible, this review will pull information from standards of work documents and put it into MDE's formal policy/procedure documents to clearly define roles and responsibilities. MDE will create a grants management manual for grant managers

that provides further instruction for implementation of OGM policies and will clearly define roles and responsibilities. The goal is to have this completed by close of the fiscal year.

MDE already provides its employees with resources related to grant management on its intranet. The department will expand this webpage by providing links to the newly established Centralized Grant files, Authorized Representative toolkit, the grants management manual, as well as the Department of Administration - Office of Grant Management (OGM) policies. The goal is to have this completed by of the fiscal year. The department has begun the work of creating a centralized grant filing system so that all appropriate grant documents can be easily accessed by grant managers and management as necessary. This is currently being developed and will be fully implemented in March, 2023. Training will be provided.

As briefly discussed above, MDE Agency Finance will create a toolkit to provide resources for ARs, which will include a link to OGM policies and information on how to meet policy requirements, a checklist for ARs, grant forms and sample reporting and monitoring templates, and copies of trainings that have been conducted. In addition, checklists for each grant program will be developed that will identify all the pertinent information such as the language that governs it, reporting requirements of the grantee and the agency, any appropriate timeframes, and the roles and responsibilities of the AR, grantee, and grant specialist. This document will then be shared with the Authorized Representative and the grant specialist who will be managing the grant to ensure that all grant requirements are met. Again, MDE plans to have this toolkit operationalized by the close of the fiscal year.

MDE is working in partnership with MN.IT@MDE on the development of a new grants management system that will provide complete support of the grant management process by integrating data throughout all workflow phases including allocation of funds, application, budgeting, review and approval, payments, reporting, and closeout. This will help ensure MDE can meet federal and state requirements. The first phase of the grants management system will be available May, 2023.

The program evaluation highlights the need for an appropriate level of resources to support grant management requirements including internal audit, internal oversight and monitoring. Agencies do not always receive funding for these purposes. In six of the sixteen grants reviewed, the recipient was legislatively named, but the legislation naming the recipient failed to provide funding for grant administration and oversight.

Again, MDE would like to thank the dedicated employees of the Office of the Legislative Auditor who prepared this report. The opportunity to evaluate and review the Department's work is appreciated, and MDE hopes this process will help MDE better serve Minnesota's public schools, our students, and their families. If you have any questions or need additional information, please contact Denise Anderson, our Chief Financial Officer.

Sincerely,



Willie L. Jett II
Commissioner



Office of the Commissioner

445 Minnesota Street • Suite 1000 • Saint Paul, Minnesota 55101-5100

Phone: 651.201.7160 • Fax: 651.297.5728 • TTY: 651.282.6555

dps.mn.gov

January 25, 2023

Judy Randall
Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
Saint Paul, MN 55155-1603

Dear Auditor Randall:

The Minnesota Department of Public Safety (DPS) wants to thank you and your team for the detailed work to assess the oversight of state-funded grants to nonprofit organizations over the past few months. We appreciate the professionalism of your staff as they completed their work and the opportunity to review and comment on the report titled "Oversight of State-Funded Grants to Nonprofit Organizations."

DPS strives for the highest level of oversight over our grant funds and we are proud of the impressive work that is funded in every county in Minnesota. Your finding that DPS largely complied with the Minnesota Office of Grants Management (OGM) policies is reassuring and we appreciate the recommendations for improvement.

This report focused on the grants to nonprofit organizations by DPS' Office of Justice Programs (OJP). We are pleased that this report acknowledges that DPS' established procedures for managing grants address most of the OGM policies, but we recognize that improvements can be made to include greater specificity and direction for our grants staff. DPS will work with OGM to develop stronger policies and practices to improve and strengthen our policies, and provide necessary training to support our grants staff to ensure compliance with all OGM policies. We are confident that we can address the two DPS recommendations in the next few months.

We appreciate this opportunity to work together to improve our procedures for managing grants.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cassandra O'Hern".

Cassandra O. O'Hern
Deputy Commissioner

Alcohol
and Gambling
Enforcement

Bureau of
Criminal
Apprehension

Driver
and Vehicle
Services

Emergency
Communication
Networks

Homeland
Security and
Emergency
Management

Minnesota
State Patrol

Office of
Communications

Office of
Justice Programs

Office of
Pipeline Safety

Office of
Traffic Safety

State Fire
Marshal



OLA

Forthcoming OLA Evaluations

RentHelpMN

Southwest Light Rail Transit Construction: Metropolitan Council Decision Making

Southwest Light Rail Transit Construction: Metropolitan Council's Oversight of Contractors

State Programs That Support Minnesotans on the Basis of Racial, Ethnic, or American Indian Identity

Sustainable Building Guidelines

Recent OLA Evaluations

Agriculture

Pesticide Regulation, March 2020

Agricultural Utilization Research Institute (AURI), May 2016

Agricultural Commodity Councils, March 2014

Criminal Justice and Public Safety

Driver Examination Stations, March 2021

Safety in State Correctional Facilities, February 2020

Guardian ad Litem Program, March 2018

Mental Health Services in County Jails, March 2016

Health Services in State Correctional Facilities, February 2014

Economic Development

Minnesota Investment Fund, February 2018

Minnesota Research Tax Credit, February 2017

Iron Range Resources and Rehabilitation Board (IRRRB), March 2016

Education (Preschool, K-12, and Postsecondary)

Minnesota Department of Education's Role in Addressing the Achievement Gap, March 2022

Collaborative Urban and Greater Minnesota Educators of Color (CUGMEC) Grant Program, March 2021

Compensatory Education Revenue, March 2020

Debt Service Equalization for School Facilities, March 2019

Early Childhood Programs, April 2018

Perpich Center for Arts Education, January 2017

Standardized Student Testing, March 2017

Minnesota State High School League, April 2017

Minnesota Teacher Licensure, March 2016

Environment and Natural Resources

Petroleum Remediation Program, February 2022

Public Facilities Authority: Wastewater Infrastructure Programs, January 2019

Clean Water Fund Outcomes, March 2017

Department of Natural Resources: Deer Population Management, May 2016

Recycling and Waste Reduction, February 2015

DNR Forest Management, August 2014

Financial Institutions, Insurance, and Regulated Industries

Department of Commerce's Civil Insurance Complaint Investigations, February 2022

Government Operations

Oversight of State-Funded Grants to Nonprofit Organizations, February 2023

Office of Minnesota Information Technology Services (MNIT), February 2019

Mineral Taxation, April 2015

Councils on Asian-Pacific Minnesotans, Black Minnesotans, Chicano/Latino People, and Indian Affairs, March 2014

Health

Emergency Ambulance Services, February 2022

Office of Health Facility Complaints, March 2018

Minnesota Department of Health Oversight of HMO Complaint Resolution, February 2016

Minnesota Health Insurance Exchange (MNSure), February 2015

Minnesota Board of Nursing: Complaint Resolution Process, March 2015

Human Services

Child Protection Removals and Reunifications, June 2022

DHS Oversight of Personal Care Assistance, March 2020

Home- and Community-Based Services: Financial Oversight, February 2017

Managed Care Organizations' Administrative Expenses, March 2015

Jobs, Training, and Labor

Unemployment Insurance Program: Efforts to Prevent and Detect the Use of Stolen Identities, March 2022

State Protections for Meatpacking Workers, 2015

Miscellaneous

Board of Cosmetology Licensing, May 2021

Minnesota Department of Human Rights: Complaint Resolution Process, February 2020

Public Utilities Commission's Public Participation Processes, July 2020

Economic Development and Housing Challenge Program, February 2019

Minnesota State Arts Board Grant Administration, February 2019

Board of Animal Health's Oversight of Deer and Elk Farms, April 2018

Voter Registration, March 2018

Minnesota Film and TV Board, April 2015

Transportation

MnDOT Workforce and Contracting Goals, May 2021

MnDOT Measures of Financial Effectiveness, March 2019

MnDOT Highway Project Selection, March 2016

MnDOT Selection of Pavement Surface for Road Rehabilitation, March 2014

OLA | OFFICE OF THE
LEGISLATIVE AUDITOR



Office of the Legislative Auditor
Suite 140
658 Cedar Street
Saint Paul, MN 55155