

Minnesota Management & Budget, Agency Assistance  
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## **Formula Grants**

### **Objective**

To process formula grants in accordance with legislative intent and established procedures of the Departments of Finance and Administration in the Minnesota Accounting and Procurement System (MAPS).

### **Policy**

Formula grants are exempted from grant contract requirements under [MAPS Operating Policy and Procedure 0707-02, Grant Contracts](#) and from Section 24 of [Department of Administration's Contract Manual](#).

There are instances where some form of contract or agreement is appropriate to ensure that the recipient meets program requirements when receiving state or federal funding. Agencies are responsible to determine if a contract or agreement is needed on a case-by-case basis.

All formula grants must be encumbered in MAPS Procurement (AGPS or CFMS as appropriate) unless they meet the exception below:

### **Exception:**

- No encumbrance is required for grant payments originating in an agency sub-system and processed through MAPS using either the Interface Warrant Process (IWP) or Common Inbound Transaction Architecture (CITA) as these transactions do not liquidate encumbrances. Agencies can choose to encumber these amounts but will need to manually decrease the encumbrances for payments.

Formula grants must comply with [MS16C.046](#) for the state's web site with searchable database for contracts and grants. Grants to local units of government or payments made under laws providing for assistance to individuals are exempt from this law. NOTE: For grants that qualify for the encumbrance exception above, agencies must work with the Department of Administration's Materials Management Division to develop a method to supply information for proper reporting of state grants.

### **Definitions**

Formula grants are noncompetitive awards based on a predetermined formula. They are awarded to eligible entities or individuals based on an allocation determined by a program's authorizing legislation or administrative regulation. Formula grants are typically based on entitlements or reimbursement of specified costs.

## **General Procedures**

To determine where to encumber funds, agencies shall refer to the [MAPS Point of Entry](#) reference guide. Agencies have the option to encumber formula grants to a specific vendor, or if the grant allows for several to many vendors, the agency may pre-encumber the funds.

### **MAPS Procurement (AGPS)**

- When encumbering funds in MAPS Procurement, agencies determine the appropriate document type for the specific purchase. The Department of Administration, Materials Management Division's guide to the most common document types will assist in this determination. NOTE: Field Purchase Order (FPO) and Payment Only (PAY) transactions do not encumber funds. These transactions, when successfully processed, expense the funds directly from an agency's expense budget.
- Encumbrances in MAPS Procurement require a specific vendor number. Exception: the Blanket Purchase Order; Multi-vendor (BPM) and Blanket Purchase Order Multi-Invoice (BPI) documents do not require a specific vendor at time of encumbrance. The vendor number for a BPM or BPI is entered when the invoice is recorded.
- Encumbrances in MAPS Procurement also require a commodity code that is associated with an object code. Each commodity has a default object code; users entering POs should review the object code for correctness prior to completing the PO.

### **MAPS Procurement (CFMS)**

- When encumbering funds in MAPS Procurement (CFMS), agencies determine the appropriate document type for the specific contract. The Department of Administration, Materials Management Division's guide to the most common document types will assist in this determination.
- Encumbrances in MAPS Procurement (CFMS) require a specific vendor number. Exception: the Blanket Contract (BLK) document does not require a specific vendor at time of pre-encumbrance. The vendor number for a BLK contract is entered when the invoice is recorded.
- Encumbrances in MAPS CFMS also require a commodity code that is associated with an object code. Each commodity has a default object code; users entering contracts should review the object code for correctness prior to completing the contract encumbrance.

### **MAPS Accounting**

- When reserving funds in MAPS Accounting, agencies determine the most appropriate document type based on the type of transaction. The following guidelines should be used to determine the correct document type to use.

***When an agency . . .***

***The agency should use a . . .***

Does not know the vendor but knows that an activity will require payment at a future date . . .

Requisition (RQ)

Knows that a number of vendors will be paid from the same expense budget(s) . . .

Requisition (RQ)

Knows the vendor but not the exact amount of the obligation . . .

Purchase Order (PO) and estimate the obligation to the state as the amount of the order.

Knows the vendor and the amount of the obligation . . .