

Department of Administration, Materials Management
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Grant Contracts

Objective

To provide direction to agencies in the creation of grants providing services and/or support to eligible recipients.

Policy

State agencies do not have general or automatic grant-making authority. The authority for grants must be specifically stated in statute and is generally directly related to the appropriations that fund the grants. Agencies with grant-making authority shall comply with all applicable laws and rules regarding the accounting for grants and all policies and procedures established by, but not limited to, the Departments of Finance and Administration.

Statutory provisions for conflict of interest apply to everyone involved in the grant award process; including state and non-state employees. Relevant statutes are: Minnesota Statutes [10A.07](#), [15.054](#), [15.43](#), [16C.04](#), [43A.38](#) and [471.87](#). Minnesota Statutes [16A.15](#) and [16C.05](#) require that an encumbrance be established prior to executing the grant. Minnesota Statute [16A.124](#), [Subd. 3](#), regarding prompt payment applies to grants as well.

Minnesota Statute [15.994](#) requires state agencies with Internet sites to provide information on grants available through the agency and, under Minnesota Statute [16E.20](#), are encouraged to provide an electronic link to the grant application. Additionally, [MS16C.046](#), requires that information regarding grant payments be presented on an Internet site. Agencies are directed to encumber grant contracts in the appropriate MAPS system based on the [MAPS Point of Entry](#).

Definition

Grants are a class of contracts which provide funding to an outside entity which then provides services and/or support to a third party who is not employed by the state. Refer to [MAPS Policy and Procedure 0707-01](#) for information and direction on formula grants. Grant contracts always involve three parties: 1. The state agency with the authority to make the grant; 2. The outside entity that will administer the grant or deliver the service; and, 3. The ultimate recipient of the service.

General Procedures

An encumbrance must be created in the Minnesota Accounting and Procurement System (MAPS) prior to executing the grant contract. Examples and instructions on preparing a grant contract can be found in the Professional/Technical Services Contract Manual (Section 24). The grant contract indicated in the manual should be used when creating the grant.

Encumbrances shall be entered in one of the MAPS components: Accounting, Procurement or the Contract Financial Management System (CFMS). The MAPS Point of Entry reference guide determines the appropriate system in which to enter the encumbrance.

All 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 the Interface Warrant Process (IWP) or Common Inbound Transaction Architecture (CITA) because these transactions do not liquidate encumbrances. Agencies can choose to encumber these amounts but will need to manually decrease the encumbrances for payments.

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 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.

Grant Object Classes

The following object classes shall be used for grant contracts:

- 4A0 Payments to Individuals - Medical/Rehabilitation Clients
- 4B0 Payments to Individuals - Other than Medical/Rehabilitation Clients
- 5A0 Aid/Grants to Counties
- 5B0 Aid/Grants to Cities and Towns
- 5C0 Aid/Grants to School Districts
- 5D0 Aid/Grants to Higher Education Institutions
- 5E0 Aid/Grants to Other Governments

5F0 Interagency Grants

5G0 Aid/Grants to Non-Government Organizations

5H0 Aid/Grants to Individuals

5J0 Aid/Grants to Sovereign Entities

Pre-Encumbrances and Encumbrances

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 purchase orders should review the object code for correctness prior to completing the purchase order.

MAPS Procurement (CFMS)

- When encumbering funds in MAPS Procurement (CFMS), 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.
- Contracts 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.
- Contracts in MAPS Procurement (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 (GFS)

- When reserving funds in MAPS Accounting (GFS), 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 . . .	Purchase Order (PO)