

# OGM 08-06: Preaward Risk Assessment of Potential Grantees

**Version:** 2.1

**Effective Date:** July 1, 2025

## Policy Statement and Rationale

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To protect the interest of the State and to ensure the effective and timely delivery of publicly funded grant programs and services, agencies must ensure that entities that receive grants are financially and operationally capable of performing all duties required of the grant. This policy establishes minimum requirements for granting agencies conducting preaward risk assessment and financial review of potential grantees, as required by Minnesota Statutes, section 16B.981. Agencies must develop internal procedures to meet the requirements of this policy and may develop stricter agencywide standards for evaluating risk of potential grantees.

### Preaward Risk Assessment Requirements

Before making a grant of \$50,000 or more to a political subdivision, a nonprofit organization, or a business entity, granting agencies must request, review, and analyze the following information, as applicable. This analysis must be completed for all potential grantees to assess the risk that the potential grantee cannot or will not perform the duties specified in the grant contract agreement. Analysis and determination of the preaward risk assessment must be thoroughly documented and must be retained in accordance with applicable record retention schedules. Agencies may use a single preaward risk assessment to document requirements Nos. 3–6 below for multiple grants to the same entity if they have similar granting periods and activities awarded at the same time or within a six-month period.

At a minimum, the granting agency must consider and document the following in determining if there are any risks to perform the required duties of the grant, including, as applicable:

1. For each grant, the agency must evaluate the potential grantee’s history of performing duties similar to those required by the grant.
  - a. Determine if the potential grantee has received other grants for similar amounts and similar duties, including the history of performance at the granting agency.
2. For each grant, the agency must evaluate the potential grantee’s organizational capabilities and capacity to perform at the scale required by the grant:
  - a. Determine whether the grant requires the potential grantee to perform services at a significantly increased scale. If so, then the agency must determine whether the potential grantee has the capabilities and organizational capacity (such as skills, knowledge, resources, processes, leadership) to perform services at the increased scale.
  - b. Determine whether the grant will require significant changes to the operation of the organization.

- c. Where risk has been noted, the granting agency may require additional information and may provide enhanced oversight for grantees that have not previously received state or federal grants for similar amounts or similar duties and have not yet demonstrated the ability to perform the duties required under the grant at the scale required.
3. The agency must review the potential grantee's financial information and internal controls. In a competitive grant process, state agencies are only required to request the applicable information from finalists in the selection process.
  - a. For nonprofit grantees:
    - (1) Review the nonprofit's most recent Form 990 or Form 990-EZ filed with the Internal Revenue Service.
    - (2) If the nonprofit has not been in existence long enough or is not required to file Form 990 or Form 990-EZ, then the agency must review the following documentation of the nonprofit:
      - (i) Proof of the IRS determination that the nonprofit is not required to submit any 990 forms.
      - (ii) The nonprofit's most recent board-reviewed financial statements.
      - (iii) Documentation of existing internal controls.
    - (3) If there is no nonprofit board, then review the financial statements and internal controls documentation from the nonprofit's leadership or managing group.
    - (4) If the nonprofit is required to complete an audit under Minnesota Statutes, section 309.53, subdivision 3, review the nonprofit's most recent certified financial audit report.
  - b. For business entities:
    - (1) Collect the business entity's most recent federal and state tax returns and review current financial statements.
    - (2) If the business entity has not been in business long enough to have a tax return, then review current financial statements and documentation of internal controls.
    - (3) Collect certification that business entity is not under bankruptcy proceedings and disclosure of any liens on its assets.
  - c. For political subdivisions:  
This policy does not require financial review for political subdivisions.
4. The agency must review compliance with certain other state and federal requirements, including but not limited to:
  - a. Evidence of good standing with the Minnesota Secretary of State as required by Minnesota Statutes, chapter 317A or other applicable law.
  - b. Additional information as required by other applicable federal or state laws.
5. The agency must obtain certification provided by the potential grantee that none of its current principals have been convicted of a felony financial crime in the past 10 years. Principal is defined as a public official, board member, or staff with authority to access grant funds or determine how funds are used.
6. The agency must verify that the potential grantee has not been debarred by the state of Minnesota or by the federal government per [OGM Policy 08-04: Use of Grant Contract Agreements and Grant Award Notification](#).

After considering the above, agencies must document if there are any risks noted in the preaward risk assessment that show the potential grantee might not be able to perform the required duties of the grant.

## Risk Mitigation

If the agency determines there is risk that the potential grantee cannot or would not perform the required duties of the grant, then the agency must do one or more of the following:

1. Request more information for the purpose of satisfying the agency's concerns. When requesting additional information from a potential grantee, the agency must give the potential grantee 15 calendar days to respond or to work with the granting agency to develop a risk mitigation plan to satisfy the concerns.
2. Provide enhanced oversight, such as increased monitoring or additional reporting, as a condition of the grant detailed in the grant contract agreement or grant award notification.
3. Provide technical assistance as a condition of the grant detailed in the grant contract agreement or grant award notification.
4. If the agency is unable to work with the potential grantee to resolve the substantial risks or develop a risk mitigation plan, the agency must not award the grant.

In the cases of legislatively named grants, the granting agency must delay the award until adjournment of the next regular or special legislative session for action by the legislature. The legislature may reaffirm the award of the grant or, if not awarded, reappropriate the funds to a different legislatively named grantee. The agency must execute the legislature's decision. If the legislature does not provide direction to the agency, the grant funds revert to the original appropriation source.

### Authority Not to Award and Notification

Agencies have the authority to not award a grant. If a grant is not awarded based on the outcome of the preaward risk assessment, the agency must provide written notification to the potential grantee. This notification must:

1. Include reasons for not awarding the grant, including information sufficient to explain and support the agency's decision.
2. Notify the potential grantee of the process for contesting the granting agency's decision under Minnesota Statutes, chapter 14. The potential grantee must initiate the contested case proceeding within 30 calendar days of the date of the notification. Include the commissioner of the Department of Administration in the notification. For legislatively named grants, granting agencies must also notify the chairs and ranking members of the Senate Finance and House Ways and Means committees.

### Applicability

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This policy applies to all executive branch agencies, boards, committees, councils, authorities, and task forces that make grants.

This policy applies to competitive, legislatively named, and single source grants of \$50,000 or more made to a political subdivision, as defined in Minnesota Statutes, section 471.345, subdivision 1; a nonprofit organization, as defined in chapter 317A; or a business entity, as defined in section 5.001, subdivision 2.

This policy does not apply to general obligation grants as defined by Minnesota Statutes, section 16A.695, capital project grants to political subdivisions as defined by section 16A.86, or capital project grants otherwise subject to section 16A.642. This policy does not apply to formula grants. This policy does not apply to grants made to sovereign nations or Indian tribes.

### Definitions

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- **Business Entity:** An organization that is formed under Minnesota Statutes, chapters 300–323A and referenced in [Minnesota Statutes, section 5.001](#) pertaining to corporations, cooperative associations,

partnerships, limited partnerships, or limited liability companies and that has filed documents with the secretary of state.

- **Certified Financial Audit:** A certified financial audit is a review of an organization's financial statements by an independent Certified Public Accountant (CPA) or CPA firm to determine if the statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP). Minnesota nonprofit organizations are required to have a certified financial audit completed for any fiscal year in which they have total revenue of more than \$750,000.
- **Enhanced Oversight:** Strategies above and beyond standard grant terms and conditions that help ensure the grantee is adhering to grant terms and achieving intended outcomes. These strategies should be detailed in the grant contract agreement or grant award notification. Enhanced oversight might include:
  - More frequent or focused monitoring.
  - Reviews of specific protocols or internal controls.
  - On-site visits to observe grant activities and compliance.
  - More frequent submission of payment requests.
  - Full financial reconciliation of each payment request.
- **Competitive Grant:** A competitive grant is a grant that is awarded through an application process in which multiple grant applications are solicited through a request for proposal and reviewed by the state agency. In a competitive grants process, grants are awarded to those applicants that most closely meet the selection criteria identified by the granting agency, based on the availability of grant funds.
- **Form 990:** An IRS Form 990 is a federal tax return for nonprofit organizations. A nonprofit organization recognized as exempt from federal income tax must file an annual information return or notice (990-N) with the IRS, unless an exemption applies.
- **Formula Grant:** A formula grant refers to:
  - Allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project.
  - Noncompetitive awards based on a predetermined formula 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.

- **Grant:** For the purposes of this policy, "grant" means a grant of \$50,000 or more as defined in Minnesota Statutes, section 16B.97, subdivision 1, paragraph (a) and subject to sections 16B.97 and 16B.98; or business subsidy of \$50,000 or more as defined in section 116J.994, subdivision 3, paragraph (b).
- **Grantee:** For the purposes of this policy, grantee means a political subdivision, as defined in Minnesota Statutes, section 471.345, subdivision 1; a nonprofit organization, as defined in chapter 317A; or a business entity, as defined in section 5.001, subdivision 2.
- **Legislatively Named Grant:** A legislatively named grant is a grant in which the amount, purpose of a grant, and grantee organization is named in law.

- **Nonprofit Organization:** A charitable organization that is formed for the purpose of fulfilling a mission to improve the common good of society rather than to acquire and distribute profits. The organization is incorporated under [Minnesota Statutes, chapter 317A](#). Nonprofits may have tax exempt status from the Internal Revenue Service, with the most common type being a 501(c)(3).
- **Political Subdivision:** A political subdivision is a municipality as defined in [Minnesota Statutes, section 471.345](#): a county, town, city, school district or other municipal corporation or political subdivision of the state authorized by law to enter into contracts.
- **Single Source Grant:** A grant awarded in a noncompetitive manner because, after a search to validate, only one entity is determined to be reasonably able and available to meet the intended purpose and objectives of the grant.
- **Technical Assistance:** Technical assistance can refer to activities or services provided by the state to grantees. Examples of “technical assistance” include, but are not limited to:
  - Recommendations for improving organizational internal controls for effective grant management.
  - Recommendations for addressing and resolving deficiencies as identified.
  - Coaching sessions where agency personnel are available to grantees to explain possible resolutions to issues and answer questions.
  - Site visits to assess the status of grant activities and provide direct assistance.
  - Training sessions where agency personnel demonstrate how to complete reimbursement requests and other required submissions.

## Resources and Related Information

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- [Suspended/Debarred Vendor List](#)
- [Minnesota Statute, section 16B.97](#)
- [Minnesota Statute, section 16B.98](#)
- [Minnesota Statute, section 16B.981](#)
- [See the OGM website for Preaward Risk Assessment and notification templates.](#)

## History and Updates

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Version	Description	Date
1.0	Initial Publication	July 15, 2008
1.1	Revision	September 06, 2011
1.2	Revision	December 02, 2016
2.0	Policy rewrite to comply with new statute	January 15, 2024

## Policy Owner/Contact

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Policy Owner: Enterprise Grants Managing Director, Office of Grants Management

Policy Contact: Office of Grants Management, Policy and Agency Support Team