

## Grant Financial Recordkeeping

*Template for a Granting Agency to Customize and Edit*

The receipt of grant funds as revenue, and expenditures—whether grant funds, in-kind, or match—require grantees to retain documentation to support that grant funds were used for the grant purpose and for allowable costs.

All grant contract agreements contain what is called an “audit” clause as required in [Minn. Stat. §16B.98 Subd. 8](#) which says:

*“...books, records, documents, and accounting procedures and practices of the grantee or other party that are relevant to the grant or transaction are subject to examination by the granting agency and either the legislative auditor or the state auditor, as appropriate, for a minimum of six years from the grant agreement end date, receipt and approval of all final reports, or the required period of time to satisfy all state and program retention requirements, whichever is later.”*

This means that grant recipients are responsible to maintain records relating to the receipt and expenditure of grant funds for up to six years from the grant agreement end date. Grant recipients must be prepared to share and provide documentation of those receipts and expenditures as requested by **[list state agency]** and as required by Policy 08-10: Grant Monitoring and Policy 08-08 on Grant Payments.

To responsibly manage a **[list state agency]** grant, grantees must be able to document the receipt of revenue and expenditures on staff time, contractors, and other grant-approved costs. Grantees must also know what is and is not an “allowable” cost to be charged to a **[list state agency]** grant.

## Grant Fund Recordkeeping

To document the receipt of grant funds from **[list state agency]**, here are some examples of records that grantees need to retain and have available for financial reconciliation:

- The line item from the financial system showing the electronic transfer of grant funds from the state, and a bank statement showing the deposit of grant funds there.
- Reporting to the **[list applicable grantee type]** Board that shows the grant funds received from **[list state agency]** being recorded in the financial system, or some other evidence that the Board or governing body has overseen and verifies that the grantee has received those funds.
- ***If a local match contribution for the grant is applicable***, records documenting the **[list applicable grantee type]** match contribution,
  - ***If applicable and allowable for the grant funds***, the match can be an in-kind contribution of employee time.

- ***If applicable:*** If a line item in the financial system does not identify the required match, other documentation the grantee can provide is a financial statement or balance sheet. One way a **[list applicable grantee type]** can show they are meeting its match requirement is a Board action that commits the funds.
- ***If applicable,*** records of the transfer of funds between grant recipients, such as receipts of payments.
- ***[If applicable, granting agency can customize and list additional examples]***

## Grant Expenditures

Allowable costs (costs that can be charged to **[list state agency]** grants) include but are not limited to:

- Staff Time
- **[Customize and list additional allowable costs approved in the grant budget and work plan here]**

To document the costs of employees or staff time, the records that need to be kept are:

- Employee's name
- Position title and description (PD). During a financial reconciliation, position descriptions of each employee charging time to the grant may be collected.
- Rate of pay/hour. During a financial reconciliation, payroll or paystubs from each employee charging time to the grant will be collected, to verify this rate of pay/hour.
- Time worked on the grant, identified by fiscal year of the grant
- Documentation that connects the time contributed (or hours worked) to the **[list state agency]** grant. This may be:
  - A record from the financial system that shows the employee being paid out of the grant.
  - A summary of timesheets with the grant identified.
  - **[Customize and list additional source documentation examples here]**

During a financial reconciliation, the grantee's method of tracking the staff time that is charged to the grant will be examined. Evidence must be collected that the staff time of the employees that are charged to the grant were actually paid out of that grant. That may be a payroll report, itemized by fund, from an Integrated Financial System, a summary payroll report from QuickBooks, **[customize and list additional source documentation examples here]**. The report may include other items that are charged to the grant besides staff time. Grantees must demonstrate that a system exists to track the time that employees charge to the grant.

Receipts and invoices need to be kept and itemized to document the costs of the grant-funded work of

- Contractors
- Consultants
- **[Customize with referencing other direct costs referenced in the approved grant contract agreement work plan and budget]**
- ***Administrative costs – if applicable and allowed by the grant funds*** (*Grantee payroll, timesheets, invoices, and receipts to verify and tie-out grant payments do not need to contain social security numbers, home addresses, home phones, etc. Take the opportunity to clarify with grantees that back-up*)

*documents submitted to verify and tie-out grant payments should not contain social security numbers, home addresses, home phones, etc.)*

so that the reasonableness of the expense, as compared with the amount paid for similar work in other programs, can be evaluated.

If costs appear to be excessive when compared to those of other grantees, a sample of the financial records may be taken to verify and better understand them as part of the financial reconciliation and monitoring process. Administrative costs that are not allocable to the grant, or that are based upon a percentage times the total budget amount, are not allowable, and will be excluded from the reconciliation process.

## Recordkeeping for Expenditures on Grant-Funded Projects

To document spending on a practice or project, the records that need to be kept are:

- Paid Invoices
- Minutes from Board or other governing body meetings that record decisions to charge or contribute to the grant, such as match, approvals/encumbrances, and expenditures.
- Proof of payment—such as photocopies of checks—of grant funds for supplies, and **[list and customize other grant-approved examples here]**
- Proof of payment from the grantee to the grant-funded contractor.
- Other records of cash flows pertaining to grant funds –i.e. bank statements, accounting records, etc..
- ***If applicable and allowed by grant funds:*** For projects with a training component, documentation such as the course name, description, facilitator or teacher, date, and location.

## Invoices in Project Files

For grants which advance grant payments, meaning that the grant recipient will receive funds to implement practices based on an approved grant contract agreement, work plan, and budget, before expenses are incurred, grantees must retain back-up documentation for financial reconciliation.