



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>.