DEPARTMENT OF NATURAL RESOURCES

Grant financial recordkeeping for DNR grantees using OHF and ENRTF funds

When you receive grants from the State of Minnesota — including in-kind and match — you are required 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 you are responsible for maintaining records that relate 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 the Department of Natural Resources and as required by Policy 08-10: Grant Monitoring and Policy 08-08 on Grant Payments.

To responsibly manage a DNR grant out of the Environment and Natural Resources Trust Fund or Outdoor Heritage Fund, you must:

- Be able to document the receipt of revenue and expenditures for staff time, contractors, and other grant-approved costs
- Know what is and is not an "allowable" cost to be charged to a DNR grant
- Know what files are required by the DNR versus the Legislative-Citizen Commission on Minnesota Resources or Lessard-Sams Outdoor Heritage Council staff.

Grant fund recordkeeping

Here are some examples of records that you need to retain and have available for financial reconciliation (including but not limited to):

- 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.
- Reporting to your NGO's board, city council, county commissioners, or other governing body that shows the grant funds received from the DNR 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 match contribution.
- If applicable and allowable for the grant funds, the match can be an in-kind contribution of employee time.
- If a line item in the financial system does not identify the required match, you could provide a financial statement or balance sheet identifying the match, or a Board action that commits the funds.
- The letter from the LCCMR or LSOHC approving your work or accomplishment plan, stating that work may begin.

Grant expenditures

Guidance in your pass-through grants manual, grant agreement, and the LSOHC or LCCMR guide your allowable expenses. Here is expected documentation you should retain for certain common categories:

Staff time

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

- Employee's name
- Position title and description
    - During monitoring or financial reconciliation, position descriptions of each employee charging time to the grant may be collected.
- Rate of pay/hour
    - During a payment request or 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 the time period the grant is open
- Documentation that connects the time contributed (or hours worked) to the 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
- Grantee payroll, timesheets, invoices, and receipts to verify and tie-out grant payments
    - These documents should not contain social security numbers, home addresses, home phones, and other private data where possible. Please redact this data if it appears on records.
- Any other documentation needed to tie staff time to the grant project

Time tracking

During a monitoring or financial reconciliation, your method of tracking the staff time that is charged to the grant will be examined. You must be able to show 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; or other similar documentation. The report may include other items that are charged to the grant besides staff time. You must demonstrate that a system exists to track the time that employees charge to the grant.

Contracts

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

- Contractors
- Consultants

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

Other expenditures on grant-funded projects

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

- Paid invoices, with supporting documentation from the vendor or contractor if required
  - Prevailing wage information will be required if the contract is subject to prevailing wage
  - Sufficient documentation with each invoice to show that the work was completed satisfactorily, and was applicable to the work allowed in the work or accomplishment plan
- 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 paid out to staff, vendors, or contractors
- Other records of cash flows pertaining to grant funds – e.g. 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
- For pass-through grant projects, other documentation may be required as listed in your pass-through grants reimbursement manual, ENRTF capital improvement requirements, and other attachments to the grant agreement.

Land acquisition documentation

For land acquisitions, keep copies of all the documentation required in the ENRTF or OHF Attachment E, attached to your grant agreement.

Documentation for advance payments

For grants with advance grant payments, you must retain back-up documentation for financial reconciliation on the schedule listed in your grant agreement. An advance payment is a type of grant payment in which the grant recipient will receive funds before expenses are incurred, based on an approved grant contract agreement, work plan, and budget.

You must also retain the record of DNR approval as well as LCCMR or LSOHC approval to work on an advance payment basis. Advance payments are not appropriate for every grant or every grantee. If advance payments are not formally approved for a grant, the grant will operate on a reimbursement basis.

Producing documentation

For ENRTF and OHF grants, you will submit much of this required documentation with each payment request. Further documentation listed here will be required at monitoring or financial reconciliation, as requested by your grants specialist or DNR project manager.

In the event of an audit or investigation, other entities such as (but not limited to) the Office of the Legislative Auditor, Office of Grants Management, Office of the Inspector General, or Bureau of Criminal Apprehension, may also require copies of the documentation.

Retention period

Per MS 16B.98 Subd 8, you must keep files for six years after the final action on a grant. Usually, the final action is the approval of your final report and receipt of your final payment.