

State Grants Questions and Answers

Disclaimer: This document is intended to provide general guidance. Because there are not uniform requirements applicable to all state grants and there are a variety of laws and regulations related to state grants, this guidance will not always be applicable.

If applicable, consult with your AG and/or contract office for legal terms and conditions.

1. Q: What is a **grant**?
A: A grant is a transfer of some type of property to a grantee in return for the grantee accomplishing a public purpose.
2. Q: How are grants funded?
A: Grants can be funded by federal, state, or private/local dollars.
3. Q: What is a **state grant**?
A: A state grant is an award of state money to an eligible grantee, to accomplish a public purpose authorized by law. For example: state law/budget provides funding to an agency to promote awareness of underage drinking. The agency is required to pass the funding through to all schools based on the number of students in each school.
4. Q: What is a **state grant agreement**?
A: A state grant agreement is a legally binding agreement between at least two parties that awards state money to an eligible grantee to accomplish a public purpose authorized by law. While a state grant agreement is written to comply with some of the same rules as a contract, state contracting policies are generally not applicable.
5. Q: What is a **contract**?
A: A contract is a legally-binding agreement between a minimum of two parties with an exchange of tangible value. The principal purpose of a contract is to purchase, lease, or barter property or services for the benefit of state government or its clients. A contract firmly defines accountability for performance by each party. A contract can take the form of a purchase service contract, a personal service contract, a client service contract, or an interagency agreement.
6. Q: How is a state grantee selected?
A: Two primary selection methods are used, based on the nature of the grant:
 - **Competitive grants** - Awarded to applicants best meeting the selection criteria identified by the grantor agency, based on the availability of grant funds.
 - **Entitlement grants** – Awarded to grantees meeting qualifying conditions. These grants are usually distributed on a formula basis.

State Grants Questions and Answers

7. Q: What items are included in a state grant agreement?

A: The following components, as applicable, may be included in a state grant agreement:

- General terms and conditions. These are usually the legal, financial and administrative requirements.
- Scope of work. This is a description of the work and may include delivery dates and other specifications of performance such as deliverables, performance measures and outcomes.
- Requirements and expectations. These may be included in special terms and conditions and may include items such as insurance and billing instructions.
- Roles and responsibilities (provisions for management and monitoring).
- Time period for performance.
- Delivery dates.
- Budget.
- Process for and frequency of payment requests.
- Payment method.
- Allowable/eligible costs.
- Reporting requirements.

Note: This list is not all inclusive. Agencies may or may not include items listed based on the characteristics of their grant program and their agency's policy.

8. Q: What is the difference between state grant management and state grant monitoring?

A: **Managing** a state grant is the granting agency's responsibility for the purpose of accomplishing the outcome stated in the grant award. As applicable, it includes acquiring funding/authority for the grant program; selecting the grantee(s) to receive the grant; monitoring the grantee(s); evaluating deliverables; and closing-out the grant.

Monitoring is one component of managing a state grant. A granting agency monitors a grantee to ensure compliance with the grant agreement and applicable rules and regulations.

9. Q: Should my agency have written policies and procedures on state grant management and monitoring?

A: Yes, your agency should have written policies and procedures on state grant management and monitoring.

State Grants

Questions and Answers

10. Q: What topics should be included in my agency's internal policies and procedures for state grants?

A: Your agency's internal policies and procedures may include the following items:

- grantee selection/award,
- risk assessment,
- administration/management,
- monitoring,
- documentation, and
- records retention.

11. Q: What are some of the grant management tools that my agency can use?

A: The following tools and techniques may be useful, depending on the size, complexity, and risk posed by your agency's grantee(s):

- Have a single point of contact for both agency and grantee.
- Use checklists.
- Maintain appropriate records.
- Develop standards for measuring performance and costs.
- Establish appropriate policies and procedures.
- Develop a timely process for dispute resolution.

12. Q: What is a risk assessment?

A: A risk assessment is an ongoing process to identify risks to achieving the grant objectives, analyzing those risks, and deciding how to respond to those risks.

13. Q: What are some questions to include in a risk assessment?

A: A risk assessment may include questions such as the:

- Size and complexity of the grant – How large is the grant? Generally, the larger or more complex the grant, the higher the risk.
- Size of grantee – How large is the grantee? (amount of revenues, number of employees, etc.) Generally, the smaller the grantee, the higher the risk.
- Type of grantee organization – What type of legal entity is it? (for-profit, non-profit, or government) Governmental entities tend to be lower risk.
- Longevity of the grantee – How long has the grantee been in business? Generally, the newer the business, the higher the risk.
- Grantee management/organizational structure, internal controls – Does the grantee have internal controls in place to account for, and use, grant funds for their intended purposes? Well-documented internal controls, that are being followed, generally reduce risk.

State Grants **Questions and Answers**

- Experience and past performance of the grantee – Does the agency have prior experience with the grantee? Did the grantee's references report any problems/issues? Positive prior experience generally lowers risk.
- Accreditation and licensure of grantee – Does the grantee have the required/desirable accreditation(s) and license(s)? If not, risk may increase.
- Financial health and practices of the grantee – Does the grantee have documented policies and procedures that relate to the grant? Well-documented policies and procedures, which are followed by the grantee, tend to lower risk.
- Audit history of the grantee – Has the grantee had an independent audit? Clean audit opinions may indicate lower risk.
- Complaints – Is there a history of complaints against the grantee? Generally, the greater the number of past complaints, the higher the risk. Does the grantee have a complaint reporting and resolution process in place? The risk may also be higher if a complaint reporting and resolution process is not in place.

Note: This list is not all inclusive. Agencies may or may not include items listed based on the characteristics of their grant program and their agency's policy.

14. Q: After the grantee risk assessment is completed, what is the next step?
A: Typically, the next step is to quantify the risk, using the completed grantee risk assessment, to determine an overall risk measurement. Based on the level of risk, the agency then decides how to respond to or mitigate the risk, which usually determines a suggested level of grantee monitoring or other appropriate response by the agency.
15. Q: Does my agency need to periodically update the content of our risk assessments?
A: Your agency may want to establish a policy and timeframe to review and update risk assessments.
16. Q: Where are risk assessment resources available?
A: Sample risk assessments and other information are available on the OFM Administrative and Accounting Resources website:
<http://www.ofm.wa.gov/resources/internal.asp>.
17. Q: What if my agency doesn't do a risk assessment?
A: Without a risk assessment, your agency will have to assume high risk. Substantially more monitoring may be required.

State Grants

Questions and Answers

18. Q: Should my agency monitor grantees?
A: Subject to the risk assessment, periodic monitoring is important to ensure that grantees are spending grant funds appropriately and complying with the terms of the grant agreement. The extent, frequency, and type of monitoring will depend on the results of risk assessments done by your agency.
19. Q: What methods of monitoring may be used?
A: Monitoring may include: desk reviews, on-site visits, financial reviews, client surveys, and external audit reviews.
20. Q: What should my agency monitor to?
A: Your agency should monitor to the terms, conditions, and specifications of the grant agreement. For example, are eligibility requirements being met, and are grant funds being spent on allowable and supported costs?
21. Q: How often does my agency need to monitor state grants?
A: Monitoring schedules should be determined by your agency's policy and based on the results of your risk assessment.
22. Q: Are there statewide reporting requirements for state grants?
A: There are no statewide reporting requirements for state grants. However, reporting requirements may be included in the statutory authority for a grant or an agency's policies. Additionally, individual grant agreements may include reporting requirements.
23. Q: What should be documented?
A: As applicable, all phases of the granting process should be documented including the advertisement, grantee selection, grant award, risk assessment, monitoring, and close-out.