



Financial Guide for MDH Grants to Community Health Boards

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Contents

Purpose	3
What is Not Included	3
Grants Administration at MDH	3
Common Grants to CHBs	4
Master Grant Agreement.....	4
Grant Project Agreements	4
Similarities.....	4
Differences	5
CHB Variations	5
DocuSign	5
Grant Budgeting.....	5
Travel.....	5
Information for Audits	6
Indirect and Administrative Costs.....	6
Overview	6
Definitions.....	6
Indirect Cost Reporting.....	7
Invoices, Payments, and Reporting.....	7
Invoices	7
Payment/Invoice Naming	8
Reporting.....	8
Subcontracting.....	9
Overview	9
Purpose	9
When it is a Subcontract?	9
When it is a <i>not</i> Subcontract?.....	10
Procedure for MDH Approval of Subcontracts.....	11
CHB Responsibilities for Subcontracts.....	11
MDH Responsibilities when a CHB Subcontracts	12
Office of Grants Management Policies	12
Financial Review of CHBs	12

Purpose

This guide provides a high-level overview of administration of Minnesota Department of Health (MDH) grants to community health boards (CHB) and general information and resources regarding MDH grants management.

Sound management of MDH grants to CHBs is the responsibility of both MDH and the CHB. MDH stewards the funds, assuring that CHBs follow the intended purpose and funding requirements. CHBs must act in a fiscally responsible manner as good stewards of the awarded grant funds. MDH expects that CHBs will:

- Follow standard accounting procedures, such as Generally Accepted Accounting Principles (GAAP) or Generally Accepted Government Auditing Standards (GAGAS).
- Comply with all applicable state and federal regulations, such as the [Minnesota Office of Grants Management \(OGM\) policies](#) and the federal [Uniform Guidance \(2 CFR § 200\)](#).
- Charge grants for only those activities stated in the grant agreement/amendment and on the approved grant budget (if applicable).
- Spend grant funds responsibly and equitably on allowable items.
- Properly account for expenditures and maintain financial records to support expenditures billed to the grant.
- Meet applicable audit requirements.
- Maintain updated information in SWIFT.
- Inform MDH of any changes in local administration.

What is Not Included

You will not find information in this document specific to a particular grant. Each MDH grant program comes with unique funding and reporting requirements. Refer to the MDH grant manager or website for information on a specific grant. Information on common grants to CHBs can be found on the [Grants to Community Health Boards - Home](#) SharePoint site.

Grants Administration at MDH

Approximately 60% of MDH's funding is distributed through grants and aid to community health boards, tribes, non-governmental organizations and individuals. The following table provides an overview of the various centralized and decentralized grant-related activities at MDH.

Decentralized grant program responsibilities	Centralized MDH responsibilities
<ul style="list-style-type: none"> ▪ Develop RFP and grant terms ▪ Coordinate review teams ▪ Develop grant project agreements (including grant duties/activities) for specific funding ▪ Set reporting requirements ▪ Monitor and reconcile grant spending ▪ Review and approve invoices ▪ Monitor/approve budget modifications ▪ Conduct monitoring activities 	<ul style="list-style-type: none"> ▪ CHB information (legal name, address, Community Health Services [CHS] administrator, SWIFT vendor number and location code, indirect cost plan, UEI number, SAM registration date) ▪ DocuSign names and process ▪ CHB Risk assessment ▪ Indirect cost reporting ▪ Financial/general ledger review ▪ Legal grant agreement review ▪ Invoice payment ▪ Grant policy guidance and training

Common Grants to CHBs

CHBs can find information about MDH Grants to CHBs on the MDH SharePoint site here: [Grants to Community Health Boards - Home](#). This site is intended to help CHBs find information on various grants that most (but not all) CHBs receive. This site includes information on:

- Grants available to CHBs
- CHB contract information (including DocuSign)
- Key resources (MDH, state, federal, other)
- Grant calendar

Master Grant Agreement

Every five years, MDH enters a Master Grant Agreement with all CHBs which serves as the legal foundation for subsequent MDH Grant Project Agreements. There is no funding attached to this agreement. The Master Grant Agreement is intended to streamline the granting process between MDH and CHBs. A sample of the Master Grant Agreement can be found on the MDH SharePoint site here: [Grants to Community Health Boards - Home](#) under Key Resources.

Grant Project Agreements

A Grant Project Agreement (which references the Master Grant Agreement) outlines allowable or required activities (duties) and funding to CHBs. Each Grant Project Agreement also includes a Grant Award Coversheet which includes information specific to the funding awarded through the grant. Sample State and Federal CHB Grant Project Agreements are posted on the [Grants to Community Health Boards - Home](#) under Key Resources: Minnesota Department of Health. All Grant Project Agreements will have similarities and differences based on the funding. These are discussed below.

Similarities

Grant project agreement similarities include:

- Offered to CHBs, not individual counties/cities within the CHB
- Linked to the Master Grant Agreement

- Indicate an authorized representative for each grant. This authorized representative is typically the Community Health Services (CHS) administrator
- All grant project agreements will be signed using DocuSign

Differences

Grant project agreements variations may include:

- Funding source (e.g., federal, state, combination of both, other source)
- Start and end dates (e.g., calendar year, state fiscal year, federal fiscal year)
- Length of the grant (e.g., one year, five years)
- Specific duties/requirements of the funding
- Invoice frequency (e.g., monthly, quarterly, annually)
- Frequency and requirement for reporting on grant-funded activities.

CHB Variations

MDH does not dictate local policies and procedures. CHBs have unique local policies and procedures that may include:

- Person(s) or role with the authority to sign grants. By law, the CHS administrator must be identified as an agent of the CHB. The signers may be different from the person identified as the authorized representative on the grant agreement.
- Local process for reviewing and approving the grant application/budget and Grant Project Agreements with the CHB.

DocuSign

All grants with MDH must be signed using MDH DocuSign. CHBs have varying reviewers and signers for MDH grant project agreements. The process for review and signing of grants can be found on the [Community Health Boards - Home](#) SharePoint site under CHB contact information.

Grant Budgeting

The majority of MDH grant project agreements require the submission of a budget and work plan to explain the proposed use of the grant funds. There are many variations in the format and content of budgets for MDH grants. While MDH strives for consistency, some funding sources require specific variations that do not allow for an MDH-wide budget format.

The current MDH grant project agreement requires prior approval from the MDH grant manager for modifications greater than 10 percent of any budget line item in the most recently approved budget.

Travel

The 2025-2029 CHB Master Grant Agreement contains travel reimbursement guidelines that apply to all MDH grants. The CHB will be reimbursed for travel and subsistence expenses in the same manner and in no greater amount than provided in the current “Commissioner's Plan”

released by the Commissioner of Minnesota Management and Budget. The Commissioner's Plan rates can be found at [commissioners-plan / Minnesota Management and Budget \(MMB\)](#).

Information for Audits

All MDH grant awards come with a cover sheet containing information that a CHB may need for local audits. Sample State and Federal CHB Grant Project Agreements (including Grant Award Coversheet) are posted on the [Grants to Community Health Boards - Home](#) under Key Resources: Minnesota Department of Health. For older grants, information on the cover sheet includes:

- **Grantee Information:** name, SWIFT vendor number and location code
- **Grant Information:** grant project agreement number, start and end dates
- **Funding Information:** total amount, amount of state funds, amount of federal funds
- **Federal Funding Information:** UEI number, indirect cost rate, Assistance Listings Name and Number, FAIN number, Federal award date, total federal funds to MDH. **NOTE:** For newer grants, the information related to federal funds will be found in an exhibit at the end of the grant project agreement.

Indirect and Administrative Costs

Overview

MDH recognizes that CHBs incur certain costs that are not easily identified with a particular grant or activity. These costs are often referred to as indirect costs. To comply with Minn. Stat. § 16B.98, subd. 1, MDH limits these costs so that the state derives the optimum benefit for grant funding. Federal and state regulations require that grantees (CHBs) keep indirect costs to a minimum.

Federal regulations allow grantees with a federally negotiated indirect cost rate agreement (NICRA) to bill MDH for indirect costs in an amount up to but not exceeding that rate. Grantees without a NICRA are allowed to bill MDH for indirect costs in an amount up to but not exceeding the applicable federal de minimis rate. Currently, MDH allows up to 10% indirect for State funds as well per internal MDH policy. Please note, however, that the funding source (e.g., certain federal funding, private/foundation funding) may not allow, or may limit, indirect costs. CHBs will be informed of these specific restrictions by the MDH grant manager.

MDH developed an *Indirect Cost Guidance for Community Health Boards* (posted here: [Guidance on Grants to Community Health Boards - MN Dept. of Health](#)). This guidance will help CHBs adapt to the MDH policy, differentiate between direct and indirect costs, and properly report costs.

Definitions

Comprehensive definitions and examples are included in the *Indirect Cost Guidance for CHBs* and summarized here:

Direct costs: costs for activities, goods or services that benefit and trace back to a specific project (often included in budget and invoice line items such as “Salary/Fringe”, “Supplies”, “Contractual”, etc.). As much as possible, grant funds should support direct costs that correspond with program activities.

Indirect costs: costs for activities, goods or services that benefit more than one project and not traced back to a specific program. These costs are often allocated across an entire agency and multiple programs.

Administrative costs: These costs can be charged as direct costs or be included in indirect costs. Administrative costs that are for activities, goods or services that can be traced to a specific project are categorized as direct costs. Administrative costs that benefit more than one project and cannot be traced to a specific program are categorized as indirect costs. Grantees should minimize administrative costs so that grant funds support direct costs related to program activities.

Indirect cost rate: a percentage used to distribute indirect costs to all of an organization’s programs that benefit from them. Regardless of funding source, MDH allow grantees to use federally negotiated indirect cost rates for their budgeting and invoicing of indirect costs or, if they do not have one, up to the currently allowable indirect cost rate.

Indirect Cost Reporting

MDH asks each CHB to annually submit one Indirect Cost Questionnaire (or proof of federal indirect cost rate) **for all MDH grants**. This information will then be used by *all* MDH grant staff and CHBs will no longer need to submit this information for each grant program. The CHB can choose to apply the allowable rate, no rate, or a reduced rate to particular MDH grants. However, the chosen rate should remain constant throughout the CHBs fiscal year. CHBs may adjust their indirect rate at the change of their fiscal year.

Invoices, Payments, and Reporting

Invoices

Request for reimbursement from MDH on grant expenditures occurs through an invoice. Typically, financial transactions occur on a reimbursement basis only. The following are invoicing guidelines/information:

Formatting: Because of funding source requirements, each MDH grant program may have a unique invoice format.

Scheduling: MDH prescribes the invoice schedule (monthly, quarterly) in the grant project agreement. For some grants MDH provides for a flexible invoice schedule. This can be agreed upon and reflected in the grant project agreement prior to grant execution.

Signing: MDH does not dictate the person or role within the CHB with permission to sign the invoice. Invoices can be signed, scanned and returned, an electronic scanned signature can be dropped into the signature line or CHBs can use their own DocuSign system for signing, if available.

Policies: In some situations, there are conflicts in county/city vs. state (and possibly federal) policies regarding allowable expenses. The requirement is to follow the stricter policy. For example, CDC does not allow money to be spent on food, so even if county/city policy allows food purchases, CDC funds cannot be used to purchase food.

Corrections: Typically, corrections to an invoice error should be made on the subsequent invoice. If the error occurs at the end of a grant cycle or fiscal year, CHBs should work with their MDH grant managers to address the correction.

Payment/Invoice Naming

Grant payments from MDH are issued through SWIFT (the State’s accounting system) using an electronic fund transfer (EFT). EFTs should include a standardized naming convention indicating the source of the payment. The naming convention assures that MDH grant managers use a standardized format when coding invoices and allows CHBs to identify the funding source of specific grant payments.

About the Naming Convention: MDH grant managers use the “Invoice Field” in SWIFT to code invoices received from grantees. SWIFT allows for up to 30 characters in this field. Each block contains coded information regarding the source of MDH payments. The following are examples of invoice codes:

Invoice Code Example	What This Means
LPHG.STATE.Q22025	This payment is for the Local Public Health Grant for the second quarter of 2025. The LPH Grant is state funds. This grantee’s LPH funds are reimbursed on a quarterly basis.
SHIP.STATE.Jan2025	This payment is for the SHIP grant for the month of January 2025. The SHIP grant is state funds and reimbursed monthly.
PHEP.93.069.Q22025	This payment is for the PHEP grant for the second quarter of the PHEP grant cycle. The PHEP grant is federal funds, so this code includes the Federal Assistance Listing number. PHEP funds are reimbursed on a quarterly basis.

Reporting

For MDH grants, “reports” refer to information that must be submitted to MDH as required by the grant to address progress on grant activities (vs. funding). The grant project agreement details the format, schedule, and content of the reports.

Subcontracting¹

Overview

When MDH enters into a grant project agreement with a CHB, MDH considers it the responsibility of the CHB to assure that they appropriately select (procure) and monitor the performance of any subcontractor (sub-awardee) receiving funding. The funding rules (state or federal) on funds received from MDH follow the money to the CHB and subsequently to its subcontracts. CHB selection and monitoring of subcontracts must include:

- Reviewing the Master Grant Agreement to assure contracting and bidding requirements outlined in that document are being met
- Using sound procurement practices to select subgrants/subcontractor
- Monitoring performance of subgrants/subcontracts before authorizing payment of funds
- Reviewing the subcontractors financial and programmatic reports
- Evaluating the subcontractor’s milestones and deliverables
- If subcontracting federal dollars, CHBs should assure these entities are provided the appropriate federal information.

Purpose

The purpose of this section is to clarify MDH’s definition of “subcontracts” and the role of MDH in monitoring CHB subcontracts. These subcontracting guidelines assure that MDH and its grantees (and subsequent subgrantees/subcontractors) comply with federal (Uniform Guidance, or 2 CFR 200) and state requirements; and create a consistent application of subcontract review/management by MDH grant program managers.

When it is a Subcontract?

The following scenarios are intended to help clarify “subcontracts” for CHBs. Specific questions related to grants should be directed to the MDH grant manager.

Scenario 1: CHB contracting with another CHB for a grant to which only CHBs are eligible (e.g., LPH Grant, PHEP, Title V)—**MDH considers this a Subcontract.** This is an infrequent scenario. Again, MDH can only enter into a grant project agreement with one CHB. However, because only CHBs are eligible for the funding and one CHB has asked another CHB to carry out those activities, certain procurement practices may not apply.

- A CHB enters into a grant project agreement with MDH.
- The CHB then enters into an agreement with another CHB to fulfill all, or a portion of, the duties outlined in the grant project agreement.

¹ For purposes of this document the term “subcontract” refers to funds (state or federal) from MDH being distributed to other entities to support the work of the CHB. This includes the CHB entering into an agreement with another entity to provide the CHB with a good/service that would help the CHB do the grant work or when the CHB enters into an agreement with another entity and that other entity is doing the work or implementing the duties of the grant for the CHB. The CHB may have use different language to refer to these arrangements.

- It is recommended that this includes a written agreement between the CHBs outlining expectations. MDH does not define the terms of these written agreements.

Scenario 2: CHB subcontracts with an outside entity (not another CHB) to do a portion of the work—**MDH considers this a Subcontract**—see the following Procedure for MDH Approval of Subcontracts, CHB Responsibilities for Subcontracts and MDH Responsibilities for Subcontracts sections below for more information.

- A CHB enters into a grant project agreement with MDH.
- The CHB then subcontracts with an outside organization/and or person to fulfill a portion of the duties.
- Dependent on the source and amount of funding, the subcontracting CHB should follow appropriate procurement procedures in their county/CHB that allow the grantee to justify their selection of a specific subcontractor. For federal funds the federal 2 CFR Part 200 Subpart D - Procurement Standards (<https://www.ecfr.gov/current/title-2/part-200/subject-group-ECFR45ddd4419ad436d>) outlines methods and process for subcontractor selection.
- It is recommended that this includes a written agreement between the CHB and the subcontractor outlining expectations (e.g., written work plan).

When it is a *not* Subcontract?

Scenario 1: A multi-county CHB provides funds to individual counties within the CHB—**MDH does NOT consider this a Subcontract**. By statute (Minn. Stat. § 145A), CHBs, including multi-county CHBs, are the legal governing body for local public health in Minnesota. Grant project agreements to local public health should be with the CHB.

- These CHBs function through a Joint Powers Agreement (JPA) which will define the relationship of the counties within the CHB.
- MDH enters into a grant project agreement with the multi-county CHB.
- One of the counties in the CHB serves as fiscal host or the CHB acts as its own fiscal host.
- The CHB distributes funds to individual counties within the CHB or uses the funds at the CHB level to provide services across all counties in the CHB.
- It is recommended that there be written agreements on the specific distribution of funds. In some cases these written agreements may be termed “contracts” or this may be defined in the CHBs delegation agreement or JPA. The CHBs define the terms of these written agreements.

Scenario 2: Joint application from multiple CHBs with one CHB serving as primary grantee (e.g., SHIP)—**MDH does NOT consider this a Subcontract**. MDH can only enter into a grant project agreement with one entity. MDH considers these arrangements partnerships, but how these arrangements are handled is up to the individual grant program; and ultimately the CHB signing the agreement is responsible.

- One CHB agrees to serve as lead/fiscal host (grantee) for a group of CHBs applying for funding.
- MDH enters into a grant project agreement with one CHB (grantee).

- Funds are distributed by the grantee to the other CHBs within the project area or used across the entire project area.
- The duties in a grant project agreement outline expectations of multiple CHBs involved in the joint project (work plan). All CHBs partnering under the agreement are responsible for carrying out the duties.
- It is recommended that there be written agreements on the relationship between the parties. The CHBs define the terms of these written agreements.

Procedure for MDH Approval of Subcontracts

If the CHB submits a budget to MDH as part of their **grant application or competitive RFP**, they must identify any known subcontracts occurring in the Contractual budget line item. The use of contractual services is subject to MDH review and may change based on a final work plan and budget negotiations with the CHB.

For **formula grants**, CHBs must identify any subcontracts occurring as part of carrying out the duties of this grant program on an annual basis prior to the subcontract going into effect. CHBs should refer to their grant project agreements for details. The use of contractual services is subject to MDH review. CHBs submit this information through a form or by e-mail (depending on the grant).

Regardless of the type of application or amount of funding subcontracted, CHBs will submit a list of subcontracts, including the following information:

- Description of contracted services.
- Anticipated contractor/consultant's name (if known) or selection process.
- Length of contracted services.
- Contracted services budget allocation.

CHB Responsibilities for Subcontracts

- Hold subcontracting entities to the same state and federal requirements as the grantee (CHB).
- Ensure satisfactory performance of all grant duties (including subcontracted activities).
- Assure that all costs billed against the grant are allowable costs.
- Follow its standard procurement practices prior to entering into subcontracts.
- Select only those subcontractors not listed on the state or federal prohibited vendors list.
 - State: [State: Suspended/Debarred Vendor Report](https://www.mmd.admin.state.mn.us/debarredreport.asp) (<https://www.mmd.admin.state.mn.us/debarredreport.asp>)
 - Federal: [SAM.gov](https://www.sam.gov) (<https://www.sam.gov>)
 - Have active registrations with the Minnesota Secretary of State
- Ensure that subcontracting entities comply with the Minnesota Government Data Practices Act [Ch. 13 MN Statutes](https://www.revisor.mn.gov/statutes/cite/13) (<https://www.revisor.mn.gov/statutes/cite/13>) as it applies to all data created, gathered, generated or acquired under the grant agreement.
- Monitor subcontractor(s) for compliance with applicable state, federal and grant agreement requirements, policies, and procedures.

MDH Responsibilities when a CHB Subcontracts

- Assure that grantee's (CHBs) approved work plan and budget list subcontractor services.
- Approve entering into subcontracts (MDH no longer requires seeing the actual subcontract).
- Periodically review subcontracts as part of the grant monitoring process.
- Notify CHBs of their responsibilities when issuing subcontracts.

CHBs should contact their MDH grant managers for general questions related to subcontracting. As the contract is a legal document and MDH does not provide legal advice, the CHB may wish to contact an attorney for advice.

Office of Grants Management Policies

The Minnesota Department of Administration's Office of Grants Management (OGM) standardizes, streamlines and improves the state grant-making practices across state agencies. One tool used by OGM to improve the state's grant-making is the comprehensive grants management policies outlined in Minn. Stat. § 16B.97, subd. 4 (a)(1); online at [Grants Management Policies, Statutes and Forms \(https://mn.gov/admin/government/grants/policies-statutes-forms/\)](https://mn.gov/admin/government/grants/policies-statutes-forms/). The following grants management policies are applicable to all Executive Branch agencies, boards, commissions, councils, authorities and task forces.

- Policy 08-01: Grants Conflict of Interest
- Policy 08-02: Rating Criteria for Competitive Grant Review
- Policy 08-03: Writing and Publicizing Grants Notices and RFPs
- Policy 08-04: Grant Contract Agreement and Grant Award Notification
- Policy 08-05: Public Comments Concerning Fraud and Waste in State Grants
- Policy 08-06: Pre-Award Risk Assessment
- Policy 08-07: Single and Sole Source Grants
- Policy 08-08: Grant Payments
- Policy 08-09: Grant Progress Reports
- Policy 08-10: Grant Monitoring
- Policy 08-11: Legislatively Mandated Grants
- Policy 08-12: Grant Amendments
- Policy 08-13: Evaluating Grantee Performance

MDH revises policies as needed to assure compliance with OGM policies. Many of these policies are implemented differently based on the type of grantee (non-governmental organization, high-risk agency, etc.). For this reason, CHBs may have different requirements of exemptions to some of these policies.

Financial Review of CHBs

OGM Policy 08-10 and federal guidance requires that MDH conduct a financial review of grantees (CHBs) as well as monitoring outgoing grants to CHBs to assure compliance. In 2014, MDH implemented an alternate plan for financial review of CHBs. In 2018, MDH modified that

plan to reflect a change in state policy that allows for MDH to monitor a sample of grants when a granting agency (MDH) has multiple grants with the same grantee (CHB).

With this new sampling plan, each CHB receives a general ledger review on one invoice, every other year, on one grant from MDH. The results of these general ledger reviews are available to all MDH grant staff. MDH grants in this sampling plan include:

- State Health Improvement Partnership (SHIP)
- CDC Federal Infrastructure Grant
- Title V/MCH Block Grant
- Public Health Emergency Preparedness (PHEP)
- Response Sustainability Grant (RSG)
- Temporary Assistance to Needy Families (TANF)
- Women, Infant and Children Program (WIC)
- Strong Foundations Grant

In addition to the sampling plan, the following items remain:

- MDH WIC completes a financial review every other year on every CHB receiving WIC funding per USDA regulations. Some reviews count toward the sampling plan (i.e., no other grant will be reviewed).
- No general ledger review is required for the Local Public Health Grant.
- Individual MDH grant programs may conduct a full financial reconciliation and/or review additional invoices and supporting documentation outside of this sampling plan if they identify concerns related to their specific grant.

One MDH grant program asks CHBs to submit a general ledger or report from their accounting system for review. General ledgers are unique to each CHB and multi-county CHBs may need to submit multiple general ledgers. CHBs should maintain financial records (including, but not limited to time certifications or time studies, payroll and purchase records) verifying the costs attributable to a specific grant program and made available if requested by the grant program. Following review, MDH submits the approved invoice for payment.

This less comprehensive finance review of CHBs (versus a full financial reconciliation on every grant) is allowed is based on a comprehensive risk assessment done on CHBs. This includes annual due diligence reviews, review of these general ledger reviews, review of CHB single audit findings, and a survey of MDH grant management staff. A copy of the Risk Assessment and Financial Monitoring Plan for CHBs can be found on the [Grants to Community Health Boards - Home](#) SharePoint site under Key Resources: Minnesota Department of Health.