This directive establishes policy, responsibilities, and procedures for awarding and administering commonwealth grants. Marginal dots are excluded due to major changes.

1. PURPOSE. To establish policy, responsibilities, and procedures for awarding and administering commonwealth grants.

2. SCOPE.

   a. This directive applies to departments, offices, boards, commissions, and councils (hereinafter referred to as “agencies”) under the Governor’s jurisdiction. Agencies not under the Governor’s jurisdiction should adopt similar policy and procedures.

   b. Grants are not subject to the Procurement Code (62 Pa.C.S.A. §102(f)) or the policies, procedures, and guidelines of Manual 215.3, Procurement Handbook.

3. OBJECTIVE. To ensure appropriate management controls, accountability, and uniformity for commonwealth grants.
4. DEFINITIONS.

a. **Allocation Formula Process.** A method of awarding grants whereby the agency advertises the availability of grant funding, solicits applications and uses a predetermined formula to distribute a lump sum of appropriated funds to a group of qualified grantees for a specific purpose.

b. **Budget.** A detailed spending plan that defines, by line item, all permissible categories of expenditure with the respective dollar amounts for each category. The budget must support the Scope of Work/Statement of Purpose.

c. **Catalog of Federal Domestic Assistance (CFDA) Number.** The unique five-digit number assigned to financial and nonfinancial programs administered by agencies and establishments of the federal government. The first two digits represent the federal agency that funds the program and the remaining three digits represent the program number.

d. **Close-Out Process.** The processes or activities associated with finalizing the grant program’s project or services and completing the administrative aspects of closing the grant program’s project. Close-out documents may include, but not be limited to, evidence that the approved scope of work was fully implemented, all funds were expended in a manner consistent with the scope of work, and adherence to grant program guidelines.

e. **Competitive Application Process.** A method of awarding grants whereby the agency advertises the availability of grant funding and solicits applications from potential grantees, generally through the request for application (RFA) process. Applications are evaluated on predetermined criteria established in the grant program guidelines.

f. **Electronic.** As defined in Part 1, Chapter 2 of the Procurement Handbook.

g. **Electronic Signature.** As defined in Part 1, Chapter 2 of the Procurement Handbook.

h. **Enabling Legislation.** Any law that permits a commonwealth agency to award grants, administer a grant program, or both.

i. **Grant.** A commitment of funds and programmatic authority by a state agency serving as the grantor to an outside entity (e.g., local government, school district, individual, nonprofit organization, or service provider) for the purpose of carrying out public policy and/or implementing program service delivery. A grant differs most importantly from agency procurements in that the grantor does not receive specific goods or services for its direct benefit or use.

j. **Grant Activity Period.** This is the period of performance when the grantee can be reimbursed for activity performed in accordance with the grant.

k. **Grant Agreement.** A legally binding agreement between grantor and grantee/sub-grantee that defines the terms and conditions of a grant.
l. **Grantee.** An entity that contracts with a commonwealth agency to receive grant funding.

m. **Grantor.** A commonwealth agency administering state or federal grant funding.

n. **No-Cost Grant Agreement.** A legally binding agreement between grantor and grantee/subgrantee that revives an expired grant agreement and extends its termination date. All grant funds must have been distributed to the grantee prior to the expiration of the original grant agreement. This agreement needs to be reviewed and executed by the Grantee, Agency Head, Agency Legal, Office of General Counsel, Office of Attorney General, and Comptroller Operations.

o. **Non-Solicitation Award Process.** A method of awarding grants based on predetermined criteria, without the solicitation of applications.

p. **Office of Comptroller Operations.** For agencies under the Governor’s jurisdiction using the commonwealth’s SAP accounting system, the term refers to the Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services.

q. **Program Guidelines/Program Policy/Statement of Policy.** Agency developed documentation governing the solicitation, review, and award process for a particular grant program. Documentation may include, but not be limited to, the grant agreement, payment terms (eligible expenditures), reporting requirements, audit compliance requirements, and changes/amendments to project scope.

r. **Reimbursement Basis.** The payment method whereby a grantee submits an invoice and, upon approval of the invoice, is reimbursed for expenditures incurred in accordance with terms and conditions of a grant agreement and statement of purpose.

s. **Request for Application.** A type of solicitation notice in which an agency announces that grant funding is available, and allows applicants to present applications on how the funding could be used. The RFA will typically outline what type of programs are eligible, the expectations and requirements of the agency, and how applications are submitted and reviewed.

t. **Scope of Work/Statement of Purpose.** The portion of a grant agreement which contains a detailed description of the grantee's/subgrantee's obligations under the agreement.

u. **Signature.** A distinctive mark or characteristic indicating identity. An electronic signature qualifies as an original signature.

v. **Solicitation.** A public posting announcing the availability of grant funding, what type of programs are eligible, the expectations and requirements of the agency, and how applications are submitted and reviewed.
w. **Subgrantee.** The entity that contracts with the grantee to receive grant funding.

5. **POLICY.**

a. Agencies are permitted to develop specific grant management procedures in accordance with applicable federal and state laws and regulations pertaining to each grant. Agency grant procedures must address all aspects of the grant program including, but not limited to, the solicitation, review, and award process; application procedures; methods of payment; eligible expenditures; reporting and auditing requirements; close-out process; and changes and amendments.

b. Except when otherwise provided by law, grants shall be awarded using a competitive application process, an application process with an allocation formula, or a non-solicitation award process.

c. An approved [Request for Approval to Use the Non-Solicitation Award Process for Grant Funds form](#) is required before awarding a grant using the non-solicitation method. The approved form must accompany the grant agreement throughout the approval (signature) process.

d. To ensure transparency, equal opportunity and competition, grants should be publicly solicited, even in situations where it may appear that there is only one qualified grantee available.

e. Except when otherwise provided by federal or state laws and regulations, the maximum grant agreement period shall be five years, including extensions or options to renew.

f. All grant agreements shall be encumbered.

g. Payments for grant agreements shall be made on a reimbursement basis, except when the director of the Bureau of Payable Services or designee has approved an alternate payment method. An approved [Request for Approval to Use an Alternate Payment Method for Grant Funds form](#) is required before awarding a grant using a payment method other than the reimbursement method. The approved form must accompany the grant agreement throughout the approval (signature) process. Typically, advance payment requests for working capital, or for any other reason, should be limited to 25% of the first year grant amount. No payment shall be made to a grantee until the respective grant agreement is fully executed and all payments will be made through the Automated Clearing House (ACH) in keeping with [Management Directive 310.30, Pennsylvania Electronic Payment Program](#).

h. Grantees and subgrantees are subject to the requirements and provisions of the Commonwealth Contractor Responsibility Program, set forth in [Management Directive 215.9, Contractor Responsibility Program](#). Agencies must assess grantee and subgrantee obligations, suspensions, debarments, and performance issues to determine if a grant can be awarded.
i. Changes to Grant Agreements.

(1) Amendments. Except as otherwise noted, an amendment must be made for any change to the terms, conditions, requirements, scope of work/statement of purpose, or costs (increases and decreases) of a grant agreement. Amendments require the signatures of the grantee/subgrantee and the parties that approved the original grant agreement on behalf of the commonwealth.

(2) Funding Adjustments. Funding adjustments within the scope of the grant agreement are permitted, provided language exists in the grant agreement permitting such an adjustment, when the services provided are based on estimated units of service and the unit cost does not change. Funding adjustments (increases and decreases) require the approval of the agency head or designee and the Office of Comptroller Operations.

(3) Budgetary Adjustments. Adjustments to the amounts of specific categories contained in a budget that do not increase the monetary value of the grant may be accomplished by mutual consent of the grantor and grantee/subgrantee, provided language exists in the grant agreement permitting such an adjustment.

(4) Changes to Accounting Codes or Funding Sources. Changes to accounting codes or funding sources require written documentation from the respective agency to the Office of Comptroller Operations.

(5) Modification by Letter. A letter may be used to modify the total cost of a multi-year grant agreement when the amount of funding after the first year is not determined or is determined by fiscal year, provided language exists in the grant agreement permitting such modification.

(6) Changes in Grant Agreement Party.

(a) Limited Assignment/Assignment of Payments. Before an agency can make a grant payment to a party other than the named grantee, the grantee must assign payments to such party (assignee), in writing, and with the approval of an individual authorized to act on behalf of the grantee. Payment assignments also require the signatures of the assignee and the approval of the agency.

(b) Full Assignment of Grant Agreement. Before an agency agrees to a grantee’s assignment of a grant agreement to another party, the agency must ensure the assignee is capable of fulfilling the requirements of the grant agreement at least as well as the grantee; the assignee is legally obligated to fulfill the requirements of the grant agreement in accordance with the original terms and conditions; and any liability of or to the grantee is legally void.

(c) Name Changes. A change in the name of a grantee does not require an amendment; however, the grantee must provide written notification of such a change in name of the grantee to the agency.
(d) **Changes in Organization Ownership.** Provided the grantee’s name does not change, no notice to the agency is necessary and no amendment is required.

j. Revival of an expired grant agreement may be accomplished through the execution of a no-cost grant agreement, provided all grant funds have been distributed to the grantee prior to the expiration of the grant agreement. Changes to the scope of work/statement of purpose for items eligible under the grant program guidelines and movement of funds between budget line items may also be addressed in the no-cost grant agreement, but the grant amount may not be increased.

k. Upon written request from an agency, the Secretary of the Budget, or designee, may grant a waiver from any requirement in this directive.

6. **RESPONSIBILITIES.**

a. **Office of the Budget, Office of Comptroller Operations shall:**

   (1) Establish general grant management policies and procedures.

   (2) Evaluate and approve all new or changed grant management procedures, policies, program guidelines, etc., developed by the agencies.

   (3) Participate, at its discretion, on proposal evaluation committees as a nonvoting member when the agency awards grants on a competitive basis.

   (4) Review grant agreements for fiscal responsibility; budgetary appropriateness; availability of funds; adherence to applicable policy, enabling legislation, and other federal and state laws and regulations; and compliance with fiscal and program guidelines.

   (5) Review and approve funds commitments and encumbrances for grant agreements.

   (6) Approve the use of the non-solicitation grant award method, if supported by a Request for Approval to Use the Non-Solicitation Award Process for Grant Funds form, which is approved by the agency head or designee.

   (7) Approve alternate payment methods for grant agreements, if supported by a Request for Approval to Use an Alternate Payment Method for Grant Funds form, which is approved by the agency head or designee.

   (8) Process invoices for grant payments, in accordance with applicable invoice processing procedures.
b. Agencies shall:

(1) Establish specific grant management procedures in accordance with applicable federal and state laws and regulations for grant solicitation, review, and award; method of payment; reporting; auditing; grant agreement changes and amendments.

(2) Ensure grantees and subgrantees meet all requirements for eligibility before awarding a grant.

(3) Create encumbrance documents.

(4) Circulate grant agreements for approval (signatures); ensure the proper grantee/subgrantee signatures are affixed to the agency copy of the grant agreement.

(5) Provide to the Office of Comptroller Operations copies of approved agency documentation regarding amendments, funding adjustments, budgetary changes, accounting code or funding source changes, modifications by letter, name changes, and assignments of payments or grant agreements.

(6) Provide written notification to a grantee for any grant cost reduction.

(7) Approve invoices for grant payments, unless otherwise stated in the grant agreement.

(8) File with the Treasury Department a copy of the grant agreement and any amendments thereto, within 10 days after the grant agreement is fully executed per the Commonwealth Right to Know Law Provisions. Notices of name changes and assignments shall also be filed with the Treasury Department within 10 days of receipt of notification by the agency or, if agency approval is required, within 10 days after approval is granted.

c. Agency Head or Designee shall:

(1) Ensure that grants comply with enabling legislation and applicable policy and procedures.

(2) Ensure that if the agency chooses to develop specific grant management procedures, such procedures are evaluated in consultation with and approved by the Office of Comptroller Operations.

(3) Provide the Office of Comptroller Operations the opportunity to participate on proposal evaluation committees as a nonvoting member (at the discretion of the Office of Comptroller Operations) when the agency awards grants on a competitive basis.

(4) Establish the formula for awarding grants under the allocation formula method when the enabling legislation does not prescribe such formula.
(5) Approve requests to use the non-solicitation grant award method and requests to use alternate payment methods, if supported by written justification on the Request for Approval to Use the Non-Solicitation Award Process for Grant Funds form and/or the Request for Approval to Use an Alternate Payment Method for Grant Funds form.

(6) Review and approve amendments, funding adjustments, modifications by letter, assignments of payments, and assignments of grant agreements.

d. Agency Counsel shall:

(1) Review, and where delegated the authority or authorized by law, approve for form and legality all grant agreements into which the agency enters.

(2) Identify grant agreements requiring review by the Office of General Counsel and/or Office of Attorney General and provide such agreements to the respective office.

(3) Assist the agency in legal matters involving grantee or subgrantee performance.

e. Office of General Counsel. Shall review and approve grant agreements, referred by agency counsel, for form and legality in accordance with the Commonwealth Attorneys Act.

f. Office of Attorney General. Shall review and approve grant agreements, referred by agency counsel, for form and legality in accordance with the Commonwealth Attorneys Act.

g. Department of General Services. Shall publish information regarding grants that will be awarded on a competitive basis when required by law or program guidelines.

7. PROCEDURES. All Agencies must observe the following minimum procedural steps to ensure adequate management controls, accountability, and uniformity in grant administration.


(1) Determine the appropriate method of awarding a grant.

(a) Competitive Application Process.

1. Advertise the availability of grant funding and solicit applications, generally through the RFA process.

2. Evaluate applications based on predetermined criteria outlined in the grant program guidelines.
(b) Allocation Formula Process.

1 Advertise the availability of the grant funding and solicit applications.

2 Determine the formula that will be used to distribute grant funding to a group of grantees, in accordance with enabling legislation or as determined by the agency head or designee.

(c) Non-Solicitation Award Process. Prepare a Request for Approval to Use the Non-Solicitation Award Process for Grant Funds form and obtain the approval of the agency head or designee and the Office of Comptroller Operations.

2 Select the grantee(s).

3 Perform a contractor responsibility check on the prospective grantee(s), in accordance with Management Directive 215.9, Contractor Responsibility Program.

4 Develop the grant agreement.

NOTE: In some cases, agencies may develop applications that can be used as the grant agreement. Generally, the grant agreement must include the following:

(a) A preamble citing the enabling legislation or the agency’s authority to award and administer funds.

(b) The scope of work.

(c) The grant agreement period.

(d) If applicable, the grant activity period.

(e) The terms of payment and method of payment.

(f) The budget amount.

(g) Monitoring and reporting requirements.

(h) Language governing grant agreement changes and amendments.

(i) The required general terms and conditions for grants using state/federal funds, including, but not limited to, all required commonwealth provisions, including but not limited to:


5 Right to Know Law Provisions prepared by the Office of General Counsel.

6 Pennsylvania Choice of Law Provision.

7 Hold Harmless Provision.

(j) Audit requirements, including the commonwealth’s right to audit, inspect, and review the grantee’s/subgrantee’s records.

(k) CFDA number (for federal grants).

(l) Funds commitment document number.

(m) Grantee/subgrantee SAP vendor number.

(5) Create an encumbrance document.

(6) Prepare the grant agreement and provide the agreement to the grantee/subgrantee for approval and signature.

b. **Action by Grantee/Subgrantee.** Approve the grant agreement and affix the original signature of an individual authorized to act on behalf of the grantee/subgrantee to the original grant agreement. An electronic signature qualifies as an original signature.

c. **Action by Agency.** Ensure the grantee/subgrantee signature has been properly affixed to the grant agreement.

d. **Action by Agency Head.** Affix an original signature to the original grant agreement if approved. An electronic signature qualifies as an original signature.

e. **Action by Agency.** Circulate the grant agreement for approval to all remaining parties, including the agency counsel, Office of General Counsel (unless authority has been delegated to the agency counsel), Office of Attorney General (unless authority has been delegated to the agency counsel), and Office of Comptroller Operations.
f. Action by Agency Counsel, Office of General Counsel (if applicable), and Office of Attorney General (if applicable). Review the grant agreement and affix an original signature if approved. An electronic signature qualifies as an original signature.

g. Action by Office of Comptroller Operations. Review the grant agreement and affix an original signature if approved, review and approve the funds commitment document and save a copy of the executed grant agreement using the current imaging system. An electronic signature qualifies as an original signature.

h. Action by Agency. Retain the original fully executed grant agreement in accordance with the commonwealth records retention and disposition schedule.

This directive replaces, in its entirety, Management Directive 305.20, dated May 26, 2000.