

February 10, 2025

Representative Ben Davis, Vice Chair
State Government Finance and Policy Committee
2nd Floor, Centennial Office Building
Saint Paul, MN 55155

SENT VIA EMAIL

Dear Representative Davis,

I am writing with comments on your recently introduced legislation, H.F. 2 that modifies state employee reporting requirements and penalties in cases of suspected fraud in grants.

The Department of Administration's Office of Grants Management (OGM) supports state agencies in effective grants administration by coordinating policies on grants administration, and providing grant templates and training. Grant decision making authority is decentralized, thus implementation and performance monitoring reside with state agencies under authorities prescribed by statute and the Minnesota Legislature's grant appropriation language.

We are committed to helping agencies protect against fraud as well as appropriately investigating and reporting suspected cases of malfeasance. The OGM has implemented the structural and policy changes passed during the 2023 legislative session as well as revised and increased trainings for both grant administrators and recipients. These changes overlap with a number of provisions within H.F. 2 that are either current state policy or very similar such as:

1. Section 3 directs the Department of Administration to create grant policies that prevent fraud, waste, and abuse. This is a current responsibility of the department and this work is continually updated.
2. Section 4 requires agencies to withhold funds if a grantee does not submit a progress report. State policy already has this but permits an extension at the agency's discretion.
3. Section 9 requires agencies to require additional information and provide enhanced oversight for new grantees. While this is permissive in current law, this change is not substantively different from current practice.
4. Section 10 adds to current law that a grant agreement may be suspended for a criminal charge in addition to current law terminating a grant in the case of a conviction. Current law allows for the termination of a grant for any action deemed "not in the best interest of the state."

Additional provisions related to greater transparency and provision of grant recipient information are included in the bill that the department supports and is in general alignment with current practice.

There are certain provisions that are of concern that may cause significant hurdles for small entities to participate in state grants or limit flexibility in unforeseen and extenuating circumstances.

1. Section 1 requires notification of law enforcement and the legislature in cases of suspected fraud. Current policy requires reporting both internally and to the Office of Legislative Auditor.
2. Section 4(11)(i) requires agencies to conduct at least one in-person visit for grants over \$50,000 and annually for grants over \$250,000. This change will be significant for state agencies and time will be needed to have implementation plans in place.
3. Section 4(11)(ii) requires a financial reconciliation of each grant project expenditure prior to disbursement for any grant over \$50,000. Concerns have been expressed about administrative capacity and impacts of this requirement, particularly on small organizations and agencies with significant grant activity. Section 4(c) provides for criminal sanctions for specified violations, however current law already addresses penalties for misconduct of a public officer or employee.
4. Section 4 prohibits any exceptions. Extenuating circumstances beyond the control of a grant recipient or granting agency are always possible. State law provides waiver authority if a waiver is deemed necessary by the commissioner.
5. Section 12 makes the modifications effective immediately. Agencies will need the opportunity to implement significant changes. Changing the effective date would allow agencies to effectively incorporate changes as well work with recipients to understand changes and reduce potential confusion.

We all support effective and transparent grant administration that meets the goals and outcomes for the public sought by the legislature and state agencies. We look forward to working with you on legislation that continues to strengthen protections while preserving the ability of agencies and recipients to deliver the services.

Thank you for your consideration and I look forward to working with you as this legislation progresses.

Sincerely,

Tamar Gronvall,
Commissioner

Cc: Rep. Jim Nash, Chair, State Government Finance and Policy Committee
Rep. Ginny Klevorn, Ranking Member, State Government Finance and Policy Committee