



Fraud Prevention Measures Enacted in 2023-2024

Extensive Grant Requirements

- Innovative, far-reaching, and comprehensive grant requirements now apply to non-profits and organizations receiving state grants of at least \$50,000.
- The law establishes similar requirements for executive branch agencies, boards, committees, councils, authorities, and task forces making grants.
- Agencies can terminate a grant if the grantee is convicted of a crime related to the grant.
- Individuals and entities who've had certain convictions or have violated previous contracts can be suspended or prohibited from receiving grants or participating in public programs.

Expansion of Office of Grants Management and New Inspector General at MDE

- Expanded Office of Grants Management within the Department of Administration oversees grants awarded by state agencies and sets policies for managing grants to non-profits.
- The office has issued more than a dozen policies with strict requirements for non-profits before receiving state funding.
- The new Office of the Inspector General at the Minnesota Department of Education has been established to more effectively identify fraud and increase internal controls resources.

Pre-Award Risk Assessment

- New guardrails include a risk assessment requiring tax returns, current 990s, audit results, evidence of good standing with the Secretary of State, criminal history of principals, and a review of the organization's track record in carrying out similar responsibilities to those outlined in the grant.
- Agencies can delay or deny a grant, demand more information, or create a risk mitigation plan.

More Detailed Agreements Required

- Agencies must develop written agreements with grantees that specify a project timeline, the organization's duties, reporting requirements, and details about grant payments.
- These guidelines, timelines, and reporting info will help evaluate grantees' financial soundness, verify they are legally incorporated, and help ensure they can manage the grant.

Mandatory Monitoring

- Agencies must make at least one monitoring visit to the non-profit before final payment.
- State agencies must conduct a financial reconciliation of the grantee's expenditures before final payment.

Progress Reports

- All non-profits receiving grants of \$25,000+ must submit progress reports to remain eligible for payments. Non-profits with past-due progress reports cannot receive grant payments.
- Agencies must report to the Department of Administration on the purpose for each grant along with a performance evaluation.

Investing in Oversight

- Lawmakers funded additional staff within Minnesota Management and Budget dedicated to oversight, along with a new Statewide Internal Audit Office.
- The Department of Administration has hired additional staff to provide grant oversight and is conducting a study to determine the necessary staffing and technology for effective statewide grants management.





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Fraud in any form — targeting consumers, veterans, small businesses, and government programs — is unacceptable. Public dollars should serve public needs like child care, health care, housing, and more. Fraud is being perpetrated by entities — from giant corporations to small, fly-by-night businesses and private providers — that have made a business model out of stealing from taxpayers and depriving Minnesotans of the services they need to get ahead and live a better life.

The solutions enacted in 2025 build upon years of DFL-led action to fight fraud, including significant grant oversight measures in 2023-24 and program integrity reforms within the Child Care Assistance Program in 2019. DFLers have been taking on — and will continue to take on — the bad actors who cheat Minnesotans out of public resources and steal from Minnesota taxpayers.



Bolstering Criminal Enforcement

- New state law explicitly making kickbacks for referrals or benefits in public programs illegal
- Moved the Commerce Department’s Fraud Bureau to the Bureau of Criminal Apprehension (BCA), giving law enforcement greater capacity to investigate and prosecute complex financial crimes
- The Business Filing Fraud Prevention Act is now law, which empowers the Secretary of State to help business owners identify fraudulent business filings, combat business identity theft, and prevent illicit financial activities

Safeguarding Confidence in Services for Children, Families, and Vulnerable Minnesotans

- A \$13.2 million investment over four years to directly detect, prevent, and address fraud within DHS programs, including pre-payment review tools and support for audits and investigations through the agency’s Office of Inspector General
- New whistleblower protections, empowering state employees who report fraud or misuse across state agencies
- Creation of a certification process for recovery residences (formerly “sober homes”) while enacting a new payment model with stronger oversight, along with health and safety standards and a Residents Bill of Rights
- An \$8.18 million investment over four years in a new electronic attendance and record-keeping system for the child care assistance program (CCAP) to ensure accurate billing
- Two new financial integrity staffers in the Department of Children, Youth, and Families to prevent fraud through enhanced process controls, monitoring, and data analytics
- Stronger Early Intensive Developmental and Behavioral Intervention (EIDBI) oversight, with new licensure requirements for providers, fraud and maltreatment investigative authority for DHS, claim verification processes, and the ability for DHS to temporarily pause on new licenses when the number of applicants exceeds the need for service
- New background study disqualifications for people under active investigation for fraud from holding certain positions in public programs
- A prohibition on duplicative billing for substance use disorder services



Fraud Prevention Measures Enacted in 2025 *(continued)*

Continuing Progress on Grant Accountability

- Authorization for state agencies to withhold payments when there is evidence that a program participant committed fraud
- Expanded the state's debarment authority to block potential bad actors from receiving grant funding
- Empowered agencies to share relevant data across government entities to identify fraudulent activity faster

Strengthened Sunshine Requirements and New Tools for the Legislative Auditor

- Created a new division for special reviews of compliance and implementation within the Office of the Legislative Auditor
- Requirement for agencies and grantees to publicly post their organizational leadership structures, while expanding the list of individuals required to report to the OLA

Improving Education Transparency and Charter School Integrity

- New requirements for charter schools to publicly post contracts, financial statements, and performance reviews
- Clarified the Minnesota Department of Education's ability to reduce a charter school's state aid if the school makes purchases sidestepping its own procurement policy
- Improved transparency for charter authorizers by requiring them to include MDE's annual performance review findings in their own annual reports and complete department-approved training each year
- Made charter school board members subject to the same gift ban and conflict-of-interest rules as public school board members, and other safeguards, including barring contractors or their families from serving on affiliated boards
- Tightened the integrity of the K-12 tax credit to prevent exploitation by third-party vendors
- Added investigators and legal counsel at MDE
- Improved standards for food program sponsors, including new criteria for nonprofits applying to run multisite programs, governance structure requirements, and ensuring new sites aren't located too close to ones already operating

DFLers are focused on protecting our public resources and ensuring they work better for Minnesotans.