

16A.055 COMMISSIONER'S DUTIES.

Subdivision 1. **List.** (a) The commissioner shall:

- (1) receive and record all money paid into the state treasury and safely keep it until lawfully paid out;
- (2) manage the state's financial affairs;
- (3) keep the state's general account books according to generally accepted government accounting principles;
- (4) keep expenditure and revenue accounts according to generally accepted government accounting principles;
- (5) develop, provide instructions for, prescribe, and manage a state uniform accounting system; and
- (6) provide to the state the expertise to ensure that all state funds are accounted for under generally accepted government accounting principles.

(b) In addition to the duties in paragraph (a), the commissioner has the powers and duties given to the commissioner in chapter 43A.

Subd. 1a. **Program evaluation and organizational development services.** The commissioner may assist state agencies by providing analytical, statistical, program evaluation using experimental or quasi-experimental design, and organizational development services to state agencies in order to assist the agency to achieve the agency's mission and to operate efficiently and effectively. For purposes of this section, "experimental design" means a method of evaluating the impact of a service that uses random assignment to assign participants into groups that respectively receive the studied service and those that receive service as usual, so that any difference in outcomes found at the end of the evaluation can be attributed to the studied service; and "quasi-experimental design" means a method of evaluating the impact of a service that uses strategies other than random assignment to establish statistically similar groups that respectively receive the service and those that receive service as usual, so that any difference in outcomes found at the end of the evaluation can be attributed to the studied service.

Subd. 1b. **Consultation to develop performance measures for grants.** (a) The commissioner must, in consultation with the commissioners of health, human services, and children, youth, and families, develop an ongoing consultation schedule to create, review, and revise, as necessary, performance measures, data collection, and program evaluation plans for all state-funded grants administered by the commissioners of health, human services, and children, youth, and families that distribute at least \$1,000,000 annually.

(b) Following the development of the ongoing consultation schedule under paragraph (a), the commissioner and the commissioner of the administering agency must conduct a grant program consultation in accordance with the ongoing consultation schedule. Each grant program consultation must include a review of performance measures, data collection, program evaluation plans, and reporting for each grant program. Following each consultation, the commissioner and the commissioner of the administering agency may revise evaluation metrics of a grant program. The commissioner may provide continuing support to the grant program in accordance with subdivision 1a.

Subd. 2. **Accounting system required.** An agency must use the uniform accounting system prescribed by the commissioner.

Subd. 3. **Access to records.** An agency must give the commissioner or a designee of the commissioner free access to its financial documents.

Subd. 4. **Commissioner's designee.** The commissioner may assign a designee to an agency to monitor its financial activities and to ensure compliance with statutes and administrative requirements promulgated by the commissioner. The designee may assist the agency as the commissioner considers appropriate. The agency's head shall supervise its employees and develop a budget consistent with its goals, responsibilities, and priorities.

Subd. 5. **Retirement fund reporting.** The commissioner may not require a public retirement fund to use financial or actuarial reporting practices or procedures different from those required by section 356.20 or 356.215.

Subd. 6. **Mission; efficiency.** It is part of the department's mission that within the department's resources the commissioner shall endeavor to:

- (1) prevent the waste or unnecessary spending of public money;
- (2) use innovative fiscal and human resource practices to manage the state's resources and operate the department as efficiently as possible;
- (3) coordinate the department's activities wherever appropriate with the activities of other governmental agencies;
- (4) use technology where appropriate to increase agency productivity, improve customer service, increase public access to information about government, and increase public participation in the business of government;
- (5) utilize constructive and cooperative labor-management practices to the extent otherwise required by chapters 43A and 179A;
- (6) report to the legislature on the performance of agency operations and the accomplishment of agency goals in the agency's biennial budget according to section 16A.10, subdivision 1; and
- (7) recommend to the legislature appropriate changes in law necessary to carry out the mission and improve the performance of the department.

Subd. 7. **Grant acceptance.** The commissioner may apply for and receive grants from any source for the purpose of fulfilling any of the duties of the department. All funds received under this subdivision are appropriated to the commissioner for the purposes for which the funds are received.

History: (80-2) 1939 c 431 art 3 s 1; 1955 c 863 s 15; 1973 c 492 s 3; 1976 c 231 s 3; 1979 c 314 s 1; 1984 c 628 art 2 s 1; 1Sp1985 c 13 s 95; 1989 c 351 s 14; 1993 c 192 s 47; 1995 c 248 art 11 s 1; 1996 c 457 s 2; 1998 c 366 s 20; 2000 c 461 art 1 s 2; 2006 c 271 art 3 s 47; 2008 c 204 s 4; 2008 c 349 art 10 s 1; 2009 c 101 art 2 s 41,42; 1Sp2019 c 9 art 2 s 6; 2023 c 62 art 2 s 50; 2024 c 127 art 66 s 1,2

16A.056 WEBSITE WITH SEARCHABLE DATABASE ON STATE EXPENDITURES.

Subdivision 1. **Web database requirement.** The commissioner, in consultation with the commissioners of administration and revenue and the legislative auditor, must maintain a website with a searchable database providing the public with information on state contracts, state appropriations, state expenditures, state tax expenditures, and state entities that are the subject of audits. The website must not include information that is not public data, as defined in section 13.02, subdivision 8a. For each data field identified in subdivisions 2 to 6, the searchable database must allow a user of the website to:

- (1) perform a search using that field;
- (2) sort by that field;
- (3) obtain information grouped or aggregated by that field, where groups or subtotals are feasible; and
- (4) view information in that field by each fiscal year.

The searchable database may accommodate grouping and aggregating by allowing the user to download the data into a user-controlled database.

Subd. 2. **Contracts.** (a) The searchable database on the website must include at least the following data fields on state contracts:

- (1) the name of the entity receiving the contract;
- (2) the name of the agency entering into the contract;
- (3) an indication if the contract is for (i) goods; (ii) professional or technical services; (iii) services other than professional and technical services; or (iv) a grant; and
- (4) the fund or funds from which the entity receiving the contract will be paid.

(b) For each contract, the database must also include:

- (1) an address for each entity receiving a contract; and
- (2) a brief statement of the purpose of the contract or grant.

(c) Information on a new contract or grant must be entered into the database within 30 days after the contract or grant is entered into.

(d) For purposes of this section, a "grant" is a contract between a state agency and a recipient, the primary purpose of which is to transfer cash or a thing of value to the recipient to support a public purpose. Grant does not include aid payments to units of local government, payments to state employees, or payments made under laws providing for assistance to individuals.

Subd. 3. **Appropriations.** The searchable database on the website must include at least the following data fields on state appropriations:

- (1) the agency receiving the appropriation, or the name of the nonstate entity receiving state money;
- (2) the agency program, to the extent applicable;
- (3) the agency activity, to the extent applicable;
- (4) an item within an activity if applicable;

(5) the fund from which the appropriation is made; and

(6) the object of expenditure.

Subd. 4. **State expenditures.** The searchable database on the website must include at least the following data fields on state expenditures:

(1) the name of the agency or nonstate entity making the expenditure;

(2) the agency program, to the extent applicable;

(3) the agency activity, to the extent applicable;

(4) an item within an activity if applicable;

(5) the fund from which the expenditure is made; and

(6) the object of expenditure.

Subd. 5. **Tax expenditures.** The website must include a searchable database of state tax expenditures. For each fiscal year, the database must include data fields showing the estimated impact on state revenues of each tax expenditure item listed in the report prepared under section 270C.11.

Subd. 6. **Audits.** The website required by this section must include a link to a website containing the findings and results from the audits completed by the legislative auditor that have been released to the public.

Subd. 7. **Retention of data.** The database required under this section must include information beginning with fiscal year 2012 appropriations and must retain data for at least ten years.

Subd. 8. **Consultation.** The commissioner of management and budget must consult with the chairs of the house of representatives Ways and Means and senate Finance Committees before encumbering any money appropriated on or after July 1, 2009, for the planning, development, and implementation of state accounting or procurement systems. No money appropriated for these purposes may be spent unless the commissioner certifies that the systems will allow compliance with requirements of this section.

History: 2009 c 101 art 2 s 43,109; 2013 c 134 s 15

16A.057 INTERNAL CONTROLS AND INTERNAL AUDITING.

Subdivision 1. **Establishment of system.** The commissioner is responsible for the system of internal controls across the executive branch. The commissioner must coordinate the design, implementation, and maintenance of an effective system of internal controls and internal auditing for all executive agencies. The system must:

- (1) safeguard public funds and assets and minimize incidences of fraud, waste, and abuse;
- (2) ensure that programs are administered in compliance with federal and state laws and rules; and

(3) require documentation of internal control procedures over financial management activities, provide for analysis of risks, and provide for periodic evaluation of control procedures to satisfy the commissioner that these procedures are adequately designed, properly implemented, and functioning effectively.

Subd. 2. **Standards.** The commissioner must adopt internal control standards and policies that agencies must follow to meet the requirements of subdivision 1. These standards and policies may include separation of duties, safeguarding receipts, time entry, approval of travel, and other topics the commissioner determines are necessary to comply with subdivision 1.

Subd. 3. **Training and assistance.** The commissioner shall coordinate training for accounting personnel and financial managers in state agencies on internal controls as necessary to ensure financial integrity in the state's financial transactions. The commissioner shall provide internal control support to agencies that the commissioner determines need this assistance.

Subd. 4. **Sharing internal audit resources.** The commissioner must administer a program for sharing internal auditors among executive agencies that do not have their own internal auditors and for assembling interagency teams of internal auditors as necessary.

Subd. 5. **Monitoring Office of the Legislative Auditor audits.** (a) The commissioner must review audit reports from the Office of the Legislative Auditor and take appropriate steps to address internal control problems found in executive agencies.

(b) The commissioner must submit a report to the legislative auditor no later than September 1 of each year detailing the implementation status of all recommendations identified in an auditor's financial audit, program evaluation, or special review during the prior five years. The report must include a specific itemization of recommendations that have not been implemented during that period, along with the basis for that decision.

Subd. 6. **Budget for internal controls.** The commissioner of management and budget may require that each executive agency spend a specified percentage of its operating budget on internal control systems. The commissioner of management and budget may require that an agency transfer a portion of its operating budget to the commissioner to pay for internal control functions performed by the commissioner.

Subd. 7. **Annual report.** The commissioner must report to the legislative audit commission and the governor by January 31 of each odd-numbered year on the system of internal controls and internal auditing in executive agencies.

Subd. 8. **Agency head responsibilities.** The head of each executive agency is responsible for designing, implementing, and maintaining an effective internal control system within the agency that complies with the requirements of subdivision 1, clauses (1) to (3). The head of each executive agency must annually certify that the agency head has reviewed the agency's internal control systems, and that these systems are in compliance with standards and policies established by the commissioner. The agency head must submit

the signed certification form to the commissioner of management and budget, in a form specified by the commissioner.

Subd. 9. **State colleges and universities.** This section does not apply to the Minnesota State Colleges and Universities system.

History: 2009 c 101 art 2 s 44,109; 2025 c 39 art 2 s 29

16A.0561 MAPPED DATA ON EXPENDITURES.

(a) Data on expenditure of money from the funds as specified under sections 3.303, subdivision 10, and 116P.08 may, if practicable, be made available on the web in a manner that allows the public to obtain information about a project receiving an appropriation by clicking on a map. To the extent feasible, the map should include or link to information about each project, including, but not limited to, the location, the name of the entity receiving the appropriation, the source of the appropriation, the amount of money received, and a general statement of the purpose of the appropriation.

(b) If requested, the Legislative Coordinating Commission may, to the extent practicable, provide relevant executive branch agencies with public geospatial data that it receives for its website required under section 3.303, subdivision 10. The commissioner may make this information available to the public in a similar manner as information provided under paragraph (a).

(c) In creating plans for public expenditures from all geographically locatable or project based appropriations, prospective budget and project planning should consider geographic and data reporting that would facilitate the goals of this section.

History: 2010 c 392 art 1 s 2

16B.97 GRANTS MANAGEMENT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given:

(1) "grant agreement" means a written instrument or electronic document defining a legal relationship between a granting agency and a grantee when the principal purpose of the relationship is to transfer cash or something of value to the recipient to support a public purpose authorized by law instead of acquiring by professional or technical contract, purchase, lease, or barter property or services for the direct benefit or use of the granting agency; and

(2) "grantee" means a potential or current recipient of a state-issued grant.

(b) This section does not apply to general obligation grants as defined by section 16A.695, capital project grants to political subdivisions as defined by section 16A.86, or capital project grants otherwise subject to section 16A.642, all of which are subject to the policies and procedures adopted by the commissioner of management and budget and other requirements specified in applicable law.

Subd. 2. **Grants governance.** The commissioner shall provide leadership and direction for policy related to grants management in Minnesota in order to foster more consistent, streamlined interaction between executive agencies, funders, and grantees that will enhance access to grant opportunities and information and lead to greater program accountability and transparency. The commissioner has the duties and powers stated in this section. Executive agencies shall fully cooperate with the commissioner in the creation, management, and oversight of state grants and must do what the commissioner requires under this section. The commissioner may adopt rules to carry out grants governance, oversight, and management.

Subd. 3. **Discretionary powers.** The commissioner has the authority to:

(1) review grants management practices and establish and enforce policy and procedure improvements;

(2) sponsor, support, and facilitate innovative and collaborative grants management projects with public and private organizations;

(3) review, recommend, and implement alternative strategies for grants management;

(4) collect and disseminate information, issue reports relating to grants management, and sponsor and conduct conferences and studies;

(5) participate in conferences and other appropriate activities related to grants management issues;

(6) suspend or debar grantees from eligibility to receive state-issued grants for up to three years for reasons specified in Minnesota Rules, part 1230.1150, subpart 2. A grantee may obtain an administrative hearing pursuant to sections 14.57 to 14.62 before a suspension or debarment is effective by filing a written request for hearing within 20 days of notification of suspension or debarment;

(7) establish offices for the purpose of carrying out grants governance, oversight, and management; and

(8) require granting agencies to submit grant solicitation documents for review prior to issuance at dollar levels determined by the commissioner.

Subd. 4. **Duties.** (a) The commissioner shall:

(1) create general grants management policies and procedures that are applicable to all executive agencies. The commissioner may approve exceptions to these policies and procedures for particular grant programs.

Exceptions shall expire or be renewed after five years. Executive agencies shall retain management of individual grants programs;

(2) provide a central point of contact concerning statewide grants management policies and procedures;

(3) serve as a resource to executive agencies in such areas as training, evaluation, collaboration, and best practices in grants management;

(4) ensure grants management needs are considered in the development, upgrade, and use of statewide administrative systems and leverage existing technology wherever possible;

(5) oversee and approve future professional and technical service contracts and other information technology spending related to executive agency grants management systems and activities;

(6) provide a central point of contact for comments about executive agencies violating statewide grants governance policies and about fraud and waste in grants processes;

(7) forward received comments to the appropriate agency for further action, and may follow up as necessary;

(8) provide a single listing of all available executive agency competitive grant opportunities and resulting grant recipients;

(9) selectively review development and implementation of executive agency grants, policies, and practices; and

(10) selectively review executive agency compliance with best practices.

(b) The commissioner may determine that it is cost-effective for agencies to develop and use shared grants management technology systems. This system would be governed under section 16E.01, subdivision 3, paragraph (b).

Subd. 5. Data classification. Data maintained by the commissioner that identify a person providing comments to the commissioner under subdivision 4, paragraph (a), clauses (6) and (7), are private and nonpublic data but may be shared with the executive agency that is the subject of the comments.

History: 2007 c 148 art 2 s 22; 2010 c 365 art 1 s 9; 2015 c 77 art 2 s 9; 2023 c 62 art 7 s 2-4; 2025 c 39 art 2 s 37

16B.98 GRANTS MANAGEMENT PROCESS.

Subdivision 1. **Limitation.** (a) As a condition of receiving a grant from an appropriation of state funds, the recipient of the grant must agree that administrative costs must be necessary and reasonable. The granting agency is responsible for negotiating appropriate limits to these costs so that the state derives the optimum benefit for grant funding.

(b) This section does not apply to general obligation grants as defined by section 16A.695 and also capital project grants to political subdivisions as defined by section 16A.86, or capital project grants otherwise subject to section 16A.642.

Subd. 2. **Ethical practices and conflict of interest.** An employee of the executive branch involved directly or indirectly in grants processes, at any level, is subject to the code of ethics in section 43A.38.

Subd. 3. **Conflict of interest.** (a) The commissioner must develop policies regarding code of ethics and conflict of interest designed to prevent conflicts of interest for employees, committee members, or others involved in the recommendation, awarding, and administration of grants. The policies must apply to employees who are directly or indirectly in the grants process, which may include the following:

- (1) developing request for proposals or evaluation criteria;
- (2) drafting, recommending, awarding, amending, revising, or entering into grant agreements;
- (3) evaluating or monitoring performance; or
- (4) authorizing payments.

(b) The policies must include:

(1) a process to make all parties to the grant aware of policies and laws relating to conflict of interest, and training on how to avoid and address potential conflicts; and

(2) a process under which those who have a conflict of interest or a potential conflict of interest must disclose the matter.

(c) If the employee, appointing authority, or commissioner determines that a conflict of interest exists, the matter shall be assigned to another employee who does not have a conflict of interest. If it is not possible to assign the matter to an employee who does not have a conflict of interest, interested personnel shall be notified of the conflict and the employee may proceed with the assignment.

Subd. 4. **Reporting of violations.** A state employee who discovers evidence of violation of laws or rules governing grants must promptly report the violation or suspected violation to the employee's supervisor or manager, the commissioner or the commissioner's designee, or the legislative auditor. If the state employee notifies the employee's supervisor or manager, or the commissioner or the commissioner's designee, then the supervisor, manager, commissioner, or commissioner's designee must notify the legislative auditor. The legislative auditor shall report to the Legislative Audit Commission if there are multiple complaints about the same agency. An employee making a good faith report under this section has the protections provided for under section 181.932, prohibiting the employer from discriminating against the employee.

Subd. 5. **Creation and validity of grant agreements.** (a) A grant agreement and amendments are not valid and do not bind unless:

(1) the grant agreement and amendments have been executed by the head of the agency or a delegate who is party to the grant;

(2) the grant agreement and amendments have been approved by the commissioner;

(3) the accounting system shows an encumbrance for the amount of the grant in accordance with policy approved by the commissioner except as provided in subdivision 11; and

(4) the grant agreement and amendments include an effective date that references either subdivisions 5 and 7, or section 16C.05, subdivision 2, as determined by the granting agency.

(b) The combined grant agreement and amendments must not exceed five years without specific, written approval by the commissioner according to established policy, procedures, and standards, or unless the commissioner determines that a longer duration is in the best interest of the state.

(c) A fully executed copy of the grant agreement with all amendments and other required records relating to the grant must be kept on file at the granting agency for a time equal to that required of grantees in subdivision 8.

(d) Grant agreements must comply with policies established by the commissioner for minimum grant agreement standards and practices. As determined by the commissioner, grant agreements must require the grantee to clearly post on the grantee's website the names of, and contact information for, the organization's leadership and the employee or other person who directly manages and oversees the grant for the grantee.

(e) The attorney general may periodically review and evaluate a sample of state agency grants to ensure compliance with applicable laws.

(f) If funding is canceled, withdrawn, or terminated, an agency may, at its option, suspend its performance until funding is restored. Nothing in this paragraph releases the state from its obligations during a period of suspension.

Subd. 6. Grant administration. A granting agency shall diligently administer and monitor any grant it has entered into. A granting agency must report to the commissioner at any time at the commissioner's request on the status of any grant to which the agency is a party.

Subd. 6a. Grants management training. All state agency staff assigned grant management responsibilities must complete initial grants management training before assuming grants management job duties and must complete continuing grants management training on an annual basis.

Subd. 7. Grant payments. Payments to the grantee may not be issued until the grant agreement is fully executed. Encumbrances for grants issued by June 30 may be certified for a period of one year beyond the year in which the funds were originally appropriated as provided by section 16A.28, subdivision 6.

Subd. 8. Audit. (a) A grant agreement made by an executive agency must include an audit clause that provides that the books, records, documents, and accounting procedures and practices of the grantee or other party that are relevant to the grant or transaction are subject to examination by the commissioner, the granting agency and either the legislative auditor or the state auditor, as appropriate, for a minimum of six years from the grant agreement end date, receipt and approval of all final reports, or the required period of time to satisfy all state and program retention requirements, whichever is later. If a grant agreement does not include an express audit clause, the audit authority under this subdivision is implied.

(b) If the granting agency is a local unit of government, and the governing body of the local unit of government requests that the state auditor examine the books, records, documents, and accounting procedures

and practices of the grantee or other party according to this subdivision, the granting agency shall be liable for the cost of the examination. If the granting agency is a local unit of government, and the grantee or other party requests that the state auditor examine all books, records, documents, and accounting procedures and practices related to the grant, the grantee or other party that requested the examination shall be liable for the cost of the examination.

Subd. 9. **Authority of attorney general.** The attorney general may pursue remedies available by law to avoid the obligation of an agency to pay under a grant or to recover payments made if activities under the grant are so unsatisfactory, incomplete, or inconsistent that payment would involve unjust enrichment. The contrary opinion of the granting agency does not affect the power of the attorney general under this subdivision.

Subd. 10. **Grants with Indian tribes and bands.** Notwithstanding any other law, an agency may not require an Indian tribe or band to deny its sovereignty as a requirement or condition of a grant with an agency.

Subd. 11. **Encumbrance exception.** Notwithstanding subdivision 5, paragraph (a), clause (2), or section 16C.05, subdivision 2, paragraph (a), clause (3), agencies may permit a specifically named, legislatively appropriated, noncompetitive grant recipient to incur eligible expenses based on an agreed upon work plan and budget for up to 60 days prior to an encumbrance being established in the accounting system.

Subd. 12. **Grantee evaluations.** (a) The head of the agency or delegate entering into a grant agreement in excess of \$25,000 must submit a report to the commissioner who must make the report publicly available online.

(b) The report must:

(1) summarize the purpose of the grant;

(2) state the amount provided to the grantee; and

(3) include a written performance evaluation of the work done under the grant. The evaluation must include an appraisal of the grantee's timeliness, quality, and overall performance in meeting the terms and objectives of the grant. Grantees may request copies of evaluations prepared under this subdivision and may respond in writing. Grantee responses must be maintained with the grant file.

Subd. 13. **Limitations on actions.** No action may be maintained by a grantee against an employee or agency who discloses information about a current or former grantee under subdivision 12, unless the grantee demonstrates by clear and convincing evidence that:

(1) the information was false and defamatory;

(2) the employee or agency knew or should have known the information was false and acted with malicious intent to injure the current or former grantee; and

(3) the information was acted upon in a manner that caused harm to the current or former grantee.

Subd. 14. **Administrative costs.** Unless amounts are otherwise appropriated for administrative costs, a state agency may retain up to five percent of the amount appropriated to the agency for grants enacted by the legislature and formula grants and up to ten percent for competitively awarded grants. This subdivision applies to appropriations made for new grant programs enacted on or after July 1, 2023. This subdivision

does not apply to grants funded with an appropriation of proceeds from the sale of state general obligation bonds.

History: 2007 c 148 art 2 s 23; 2012 c 264 art 5 s 1,2; 2014 c 187 s 1,2; 2015 c 77 art 2 s 10,11; 2023 c 62 art 7 s 5-10; 2023 c 69 s 9; 2025 c 39 art 2 s 38-41

16B.981 FINANCIAL REVIEW OF GRANT AND BUSINESS SUBSIDY RECIPIENTS.

Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the meanings given.

(b) "Grant" means a grant of \$50,000 or more as defined in section 16B.97, subdivision 1, paragraph (a); or business subsidy of \$50,000 or more as defined in section 116J.994, subdivision 3, paragraph (b).

(c) "Grantee" means a political subdivision, as defined in section 471.345, subdivision 1; a nonprofit, as defined in chapter 317A; or a business entity, as defined in section 5.001, subdivision 2.

Subd. 2. **Financial information required; determination of ability to perform.** For grants of \$50,000 or more and subject to sections 16B.97 and 16B.98, before an agency awards a competitive, legislatively named, single-source, or sole-source grant, the agency must complete a preaward risk assessment to assess the risk that a potential grantee cannot or would not perform the required duties. In making this assessment, the agency must review the following information as applicable:

(1) the potential grantee's history of performing duties similar to those required by the grant, whether the grant requires the potential grantee to perform services at a significantly increased scale, and whether the grant will require significant changes to the operation of the potential grantee's organization;

(2) for a potential grantee that is a nonprofit organization, the potential grantee's most recent Form 990 or Form 990-EZ filed with the Internal Revenue Service. If the potential grantee has not been in existence long enough or is not required to file Form 990 or Form 990-EZ, the potential grantee must demonstrate to the agency's satisfaction that the potential grantee is exempt and must instead submit the potential grantee's most recent board-reviewed financial statements and documentation of internal controls or, if there is no such board, by the applicant's managing group;

(3) for a potential grantee that is a for-profit business, the potential grantee's most recent federal and state tax returns, current financial statements, certification that the business is not under bankruptcy proceedings, and disclosure of any liens on its assets. If a business has not been in business long enough to have a tax return, the grantee must demonstrate to the agency's satisfaction that the grantee has appropriate internal financial controls;

(4) evidence of good standing with the secretary of state under chapter 317A, or other applicable law;

(5) if the potential grantee is required to complete an audit under section 309.53, subdivision 3, the potential grantee's most recent audit report performed by an independent third party in accordance with generally accepted accounting principles; and

(6) certification, provided by the potential grantee, that none of its current principals have been convicted of a felony financial crime in the last ten years. For this section, a principal is defined as a public official, a board member, or staff with the authority to access funds provided by this agency or determine how those funds are used.

Subd. 3. **Additional measures for some grantees.** The agency may require additional information and may provide enhanced oversight for grantees that have not previously received state or federal grants for similar amounts or similar duties and have not yet demonstrated the ability to perform the duties required under the grant on the scale required.

Subd. 4. **Agency authority to not award grant.** (a) If, while performing the required steps in subdivision 2 and pursuant to sections 16B.97, 16B.98, and 16B.991, the agency requires additional information to determine whether there is a substantial risk that the potential grantee cannot or would not perform the

required duties of the grant agreement, the agency must give the grantee 15 calendar days within which the grantee can respond to the agency for the purpose of satisfying the agency's concerns or work with the agency to develop a plan to satisfy the concerns.

(b) If, after performing the required steps in subdivision 2 and pursuant to sections 16B.97, 16B.98, and 16B.991, and after reviewing any additional requested information from the grantee, the agency still has concerns that there is a substantial risk that a potential grantee cannot or would not perform the required duties under the grant agreement, the agency must either create a plan to satisfy remaining concerns with the grantee or must not award the grant.

(c) If, pursuant to paragraphs (a) and (b), the agency does not award a competitive, single-source, or sole-source grant, the agency must provide notification to the grantee and the commissioner of administration of the determination. The notification to the grantee must include the agency's reason for postponing or forgoing the grant, including information sufficient to explain and support the agency's decision, and notify the applicant of the process for contesting the agency's decision under paragraph (d).

(d) The final decision by an agency under paragraph (c) may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 30 calendar days of the date of written notification of a final decision by the agency.

(e) If, pursuant to paragraphs (a) and (b), the agency does not award a legislatively named grant, the agency must delay award of the grant until adjournment of the next regular or special legislative session for action from the legislature. The agency must provide notification to the potential grantee, the commissioner of administration, and the chairs and ranking minority members of the Ways and Means Committee in the house of representatives and the chairs and ranking minority members of the Finance Committee in the senate. The notification to the grantee must include the agency's reason for postponing or forgoing the grant, including information sufficient to explain and support the agency's decision and notify the applicant of the process for contesting the agency's decision under paragraph (d). The notification to the commissioner of administration and legislators must identify the legislatively named potential grantee and the agency's reason for postponing or forgoing the grant. After hearing the concerns of the agency, the legislature may reaffirm the award of the grant or reappropriate the funds to a different legislatively named grantee. Based on the action of the legislature, the agency must award the grant to the legislatively named grantee. If the legislature does not provide direction to the agency on the disposition of the grant, the funds revert to the original appropriation source.

Subd. 5. Authority to award subject to additional assistance and oversight. An agency that identifies an area of significant concern regarding an applicant's financial standing or management may award a grant to the applicant if the agency provides or the potential grantee otherwise obtains necessary technical assistance. If the agency cannot provide and the grantee cannot otherwise reasonably obtain necessary technical assistance, the agency may award the grant if the agency establishes additional requirements in the grant agreement. Additional requirements may include but are not limited to enhanced monitoring, additional reporting, or other reasonable requirements imposed by the agency to protect the interests of the state.

Subd. 6. Grants with Indian Tribes and bands. Notwithstanding any other law, an agency may not require an Indian Tribe or band to deny its sovereignty as a requirement or condition of a grant with an agency.

History: 2023 c 62 art 7 s 11; 2025 c 39 art 2 s 42