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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. **3672**

02/25/2026 Authored by Quam and Hansen, R.,
The bill was read for the first time and referred to the Committee on State Government Finance and Policy
04/07/2026 Adoption of Report: Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to state government; implementing recommendations of the legislative
1.3 auditor regarding agency grant, inventory, and debt collection practices; amending
1.4 Minnesota Statutes 2024, sections 3.978, subdivision 3; 16B.24, by adding a
1.5 subdivision; 16B.97, subdivisions 3, 4; 16B.98, subdivisions 3, 6, by adding
1.6 subdivisions; 16D.03, by adding a subdivision; Minnesota Statutes 2025
1.7 Supplement, sections 16A.057, subdivision 5; 16B.98, subdivision 6a; 16D.09,
1.8 subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 16A.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. Minnesota Statutes 2024, section 3.978, subdivision 3, is amended to read:

1.11 Subd. 3. **Penalties.** (a) If a person refuses or neglects to obey any lawful direction of
1.12 the legislative auditor, a deputy or assistant, or withholds any information, book, record,
1.13 paper or other document called for by the legislative auditor for the purpose of examination,
1.14 after having been lawfully required by order or subpoena, upon application by the auditor,
1.15 a judge of the district court in the county where the order or subpoena was made returnable
1.16 shall compel obedience or punish disobedience as for contempt, as in the case of a similar
1.17 order or subpoena issued by the court.

1.18 (b) A person who swears falsely concerning any matter stated under oath is guilty of a
1.19 gross misdemeanor.

1.20 (c) Materials and information provided to the legislative auditor by public officials or
1.21 public employees are documents subject to section 609.43.

2.1 Sec. 2. Minnesota Statutes 2025 Supplement, section 16A.057, subdivision 5, is amended
2.2 to read:

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

2.6 (b) The commissioner must regularly provide guidance to all executive agencies on how
2.7 to implement Office of the Legislative Auditor recommendations related to internal controls.

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

2.13 (d) The commissioner must provide technical assistance, as resources allow, to agencies
2.14 that have not implemented recommendations from the Office of the Legislative Auditor
2.15 related to internal controls, as detailed in the annual report in section 3.971, subdivision 10,
2.16 paragraph (a).

2.17 Sec. 3. **[16A.38] PAYMENT OVERSIGHT.**

2.18 (a) Unless otherwise specified, an appropriation, allocation, payment, or transfer of
2.19 money made through a state agency or board to a nongovernmental entity is subject to
2.20 oversight by the state agency or board, in a manner consistent with sections 16B.97 to
2.21 16B.991 or 16C.001 to 16C.36, as applicable.

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

2.27 (c) This section does not apply to payments made by the commissioner of revenue under
2.28 chapter 290C.

2.29 Sec. 4. Minnesota Statutes 2024, section 16B.24, is amended by adding a subdivision to
2.30 read:

2.31 Subd. 4a. **Inventory training.** All state agency employees responsible for maintaining
2.32 an inventory of state real property or state personal property must annually complete training

3.1 provided by the commissioner. The training must include but is not limited to accountability
3.2 and oversight requirements for different types of assets and property, how to ensure adequate
3.3 segregation of duties, and identification of inventory-related risks.

3.4 Sec. 5. Minnesota Statutes 2024, section 16B.97, subdivision 3, is amended to read:

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

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

3.8 ~~(2)~~ (1) sponsor, support, and facilitate innovative and collaborative grants management
3.9 projects with public and private organizations;

3.10 ~~(3)~~ (2) review, recommend, and implement alternative strategies for grants management;

3.11 ~~(4)~~ (3) collect and disseminate information, issue reports relating to grants management,
3.12 and sponsor and conduct conferences and studies;

3.13 ~~(5)~~ (4) participate in conferences and other appropriate activities related to grants
3.14 management issues;

3.15 ~~(6)~~ (5) suspend or debar grantees from eligibility to receive state-issued grants for up to
3.16 three years for reasons specified in Minnesota Rules, part 1230.1150, subpart 2. A grantee
3.17 may obtain an administrative hearing pursuant to sections 14.57 to 14.62 before a suspension
3.18 or debarment is effective by filing a written request for hearing within 20 days of notification
3.19 of suspension or debarment; and

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

3.22 ~~(8)~~ (6) require granting agencies to submit grant solicitation documents for review prior
3.23 to issuance at dollar levels determined by the commissioner.

3.24 Sec. 6. Minnesota Statutes 2024, section 16B.97, subdivision 4, is amended to read:

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

3.26 (1) create general grants management policies and procedures that are applicable to all
3.27 executive agencies. The commissioner may approve exceptions to these policies and
3.28 procedures for particular grant programs. Exceptions shall expire or be renewed after five
3.29 years. Executive agencies shall retain management of individual grants programs;

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

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

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

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

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

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

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

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

4.18 (10) selectively review executive agency compliance with best practices;

4.19 (11) ensure that all executive agencies comply with the training requirements under
4.20 section 16B.98, subdivision 6a;

4.21 (12) review executive agency grants management practices and establish and enforce
4.22 policy or procedure improvements as needed, with a focus on high-risk grant programs and
4.23 grantees; and

4.24 (13) establish offices for the purpose of carrying out grants governance, oversight, and
4.25 management.

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

4.29 Sec. 7. Minnesota Statutes 2024, section 16B.98, subdivision 3, is amended to read:

4.30 Subd. 3. **Conflict of interest.** (a) The commissioner must develop policies regarding
4.31 code of ethics and conflict of interest designed to prevent conflicts of interest for employees,

5.1 committee members, or others involved in the recommendation, awarding, and administration
5.2 of grants. The policies must apply to employees who are directly or indirectly in the grants
5.3 process, ~~which may include the following~~ including:

5.4 (1) developing request for proposals or evaluation criteria;

5.5 (2) drafting, recommending, awarding, amending, revising, or entering into grant
5.6 agreements;

5.7 (3) evaluating or monitoring performance; ~~or~~ and

5.8 (4) authorizing payments.

5.9 (b) The policies must include:

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

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

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

5.19 Sec. 8. Minnesota Statutes 2024, section 16B.98, is amended by adding a subdivision to
5.20 read:

5.21 Subd. 4a. **Reporting of investigations.** The head of a granting agency must report to
5.22 the commissioner any grantee being investigated due to a credible allegation of fraud. The
5.23 commissioner must maintain a list of grantees reported under this subdivision. The
5.24 commissioner must not remove a grantee from the list until an investigation is complete or
5.25 closed.

5.26 Sec. 9. Minnesota Statutes 2024, section 16B.98, subdivision 6, is amended to read:

5.27 Subd. 6. **Grant administration; site visit requirement.** (a) A granting agency shall
5.28 diligently administer and monitor any grant it has entered into. A granting agency must
5.29 report to the commissioner at any time at the commissioner's request on the status of any
5.30 grant to which the agency is a party.

6.1 (b) A granting agency must conduct an unannounced, on-site, and in-person site visit
6.2 for any grant over \$50,000 and annual unannounced, on-site, and in-person site visits for
6.3 any grant over \$250,000. The commissioner may approve exceptions to this requirement if
6.4 the granting agency sufficiently justifies why unannounced, on-site, and in-person site visits
6.5 are not suitable for a specific grant program.

6.6 **EFFECTIVE DATE.** This section is effective January 15, 2027.

6.7 Sec. 10. Minnesota Statutes 2025 Supplement, section 16B.98, subdivision 6a, is amended
6.8 to read:

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

6.13 (b) All state agency staff assigned to conduct financial reconciliation of grants must
6.14 complete initial training on conducting financial reconciliations before assuming grant
6.15 management responsibilities and must complete continuing financial reconciliation training
6.16 on an annual basis.

6.17 (c) All state agencies must report annually to the commissioner the number of staff
6.18 members who have received grants management training and training on conducting final
6.19 reconciliation of grants.

6.20 (d) The commissioner must ensure that all state agencies comply with the training
6.21 requirements in this section.

6.22 **EFFECTIVE DATE.** This section is effective January 15, 2027.

6.23 Sec. 11. Minnesota Statutes 2024, section 16B.98, is amended by adding a subdivision to
6.24 read:

6.25 Subd. 15. **Hiring limitation.** For a period of 12 months after a granting agency awards
6.26 a grant, the grantee must not hire an individual to work with that grant who was a state
6.27 employee involved in awarding or managing the grant. If a grantee violates this subdivision,
6.28 the granting agency must immediately terminate the grant, the grantee must repay to the
6.29 state all money received under the grant, and the commissioner must debar the grantee for
6.30 a period of 24 months beginning on the first day of the individual's employment with the
6.31 grantee.

7.1 Sec. 12. Minnesota Statutes 2024, section 16D.03, is amended by adding a subdivision to
7.2 read:

7.3 Subd. 4. **Training.** A state agency employee who oversees balances owed to the state
7.4 must complete training developed by the commissioners of Minnesota Management and
7.5 Budget and the Department of Revenue to quantify such balances and determine options
7.6 for collection. As part of this training, the commissioners must establish guidance for state
7.7 agency staff to follow when collecting balances owed to the state.

7.8 **EFFECTIVE DATE.** This section is effective January 15, 2027.

7.9 Sec. 13. Minnesota Statutes 2025 Supplement, section 16D.09, subdivision 1, is amended
7.10 to read:

7.11 Subdivision 1. **Generally.** (a) When a debt is determined by a state agency to be
7.12 uncollectible, the debt may be written off by the state agency from the state agency's financial
7.13 accounting records and no longer recognized as an account receivable for financial reporting
7.14 purposes. A debt is considered to be uncollectible when (1) all reasonable collection efforts
7.15 have been exhausted, (2) the cost of further collection action will exceed the amount
7.16 recoverable, (3) the debt is legally without merit or cannot be substantiated by evidence,
7.17 (4) the debtor cannot be located, (5) the available assets or income, current or anticipated,
7.18 that may be available for payment of the debt are insufficient, (6) the debt has been
7.19 discharged in bankruptcy, (7) the applicable statute of limitations for collection of the debt
7.20 has expired, or (8) it is not in the public interest to pursue collection of the debt.

7.21 (b) Uncollectible debt and the collection efforts taken must be reported by the state
7.22 agency as part of its quarterly reports to the commissioner of management and budget. If
7.23 no collection efforts were made for a particular debt, the state agency must report its rationale.
7.24 The basis for the determination of the uncollectibility of the debt must be maintained by
7.25 the state agency.

7.26 (c) If an uncollectible debt equals or exceeds \$100,000, the agency shall notify the chairs
7.27 and ranking minority members of the legislative committees with jurisdiction over the state
7.28 agency's budget at the time the debt is determined to be uncollectible. The information
7.29 reported shall contain the entity associated with the uncollected debt, the amount of the
7.30 debt, the revenue type, the collection efforts made or the reason no collection efforts were
7.31 made, the reason the debt is considered uncollectible, and the duration the debt has been
7.32 outstanding.

8.1 (d) The commissioner of management and budget shall report to the chairs and ranking
8.2 minority members of ~~the~~ all legislative committees ~~with jurisdiction over Minnesota~~
8.3 ~~Management and Budget~~ an annual summary, by agency, of the number and dollar amount
8.4 of debts determined to be uncollectible during the previous fiscal year by November 30 of
8.5 each year. Determining that the debt is uncollectible does not cancel the legal obligation of
8.6 the debtor to pay the debt.

8.7 **EFFECTIVE DATE.** This section is effective July 1, 2027.