

OGM 08-05: Managing Fraud Risk and Reporting Responsibilities

Version: 2.0

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Policy Statement and Rationale

This policy details responsibilities for reporting, notifying, and responding to suspected fraud or misuse in grants or grant programs. It also identifies events that require notifications to the Office of Grants Management (OGM).

Agencies must effectively manage the risk of fraud and misuse in grant programs. This includes establishing internal controls to prevent and detect fraud or misuse, having procedures to investigate and respond if issues arise, and training agency staff to understand and apply internal policies, procedures, and controls.

The Office of Grants Management is designated by statute as a central point of contact for questions or comments about suspected fraud or misuse of grant funds or programs, and violations of statewide grant policies.

Reporting

Agencies must establish required processes, procedures, and channels for reporting and investigating concerns about suspected fraud or misuse of public funds per Minnesota Management and Budget (MMB) Human Resources and Labor Relations HR/LR Policy #1445: Code of Ethical Conduct.

Agencies must also promptly notify OGM about grant and grantee-related matters described in the next section. Notifying OGM does not replace the agency's responsibility to use all tools at its disposal to protect the interests of the state. See the section, *Response to Suspected Fraud or Misuse in Grants or Grant Programs*.

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 of Administration or the commissioner's designee, or the legislative auditor.

Notification to the Office of Grants Management (OGM)

Granting agencies must [promptly notify OGM](#), as delegated by the Commissioner of the Department of Administration, of the following matters:

1. When an agency decides not to award a grant due to findings from a pre-award risk assessment, pursuant to Minnesota Statutes, section 16B.981 and OGM Policy 08-06: Pre-award Risk Assessment.
2. When an agency terminates a grant contract agreement—whether with cause or without cause.

3. When there is suspicion a grantee or potential grantee may have engaged in suspension- or debarment-worthy activities. Per [Minnesota Rules 1230.1150](#), debarment causes include:
 - a. Conviction related to obtaining or performing a contract, or in the performance of a contract or subcontract.
 - b. Conviction related to embezzlement, theft, forgery, bribery, falsification of records, or other offense indicating a lack of business integrity.
 - c. Conviction of antitrust violations in bidding or proposals.
 - d. Serious contract violations, such as:
 - i. Failure to perform without good cause.
 - ii. A pattern of unsatisfactory performance.
 - e. Other serious misconduct such as:
 - i. Threatening abusive, or intimidating behavior.
 - ii. Collusion to restrain competition.
 - iii. Providing false information.
 - iv. Violation of suspension terms.
 - v. Debarment by other governmental entities.
4. See the OGM website for more information on how to report this information to the Office of Grants Management.

Reporting to Other Government Entities

1. Agencies must report evidence or information about fraud, suspected fraud or misuse, financial crimes, or possible unlawful use of public money, property, or other public resources to the following government entities:
 - a. **Office of the Legislative Auditor (OLA):** Agencies and state employees must promptly notify the OLA when they obtain information or discover evidence of possible unlawful use of public money, property, or other public resources as required by statute and described in [Reporting to the Office of the Legislative Auditor: A Guide for Organizations](#).
 - b. **Bureau of Criminal Apprehension (BCA):** Agencies must report to the [BCA Financial Crime and Fraud Section](#) any of the following:
 - i. Suspected state program fraud;
 - ii. Financial crimes; and
 - iii. Any possible unlawful use of public money or financial crimes that must also be reported to the OLA.
 - c. **Department of Revenue:** Agencies must refer suspected fraud cases involving tax violations to the [Department of Revenue](#) for investigation.

Response to Suspected Fraud or Misuse in Grants or Grant Programs

1. Agencies must diligently administer grants, including taking steps to address suspected fraud or misuse of grants and grant programs. This includes conducting investigations, collecting documents and evidence, and taking actions available to executive branch agencies to protect the interests of the State. Such actions may include, but are not limited to:
 - a. Decline to award grants.
 - b. Audit the grant. This may include reviewing grantee's books, records, documents, accounting procedures and practices, as well as those of any other party relevant to the grant or transaction, in accordance with Minnesota Statutes 16B.98, subdivision 8, and the terms of the grant contract agreement.

- c. Pursue agency cancellation of grant contract agreements, with or without cause, as permitted by statute and the terms of the grant contract agreement.
- d. Temporarily withhold payments to a grantee when there is a preponderance of evidence showing the grantee, or individual acting on behalf of the grantee, has committed fraud, as authorized by Minnesota Statutes, section 15.013.
- e. Require repayment of any grant funds determined to be improperly used, which may include referral to the Attorney General.
- f. Except where law specifically prohibits data sharing, disclose data related to suspected or confirmed fraud in public programs to other government entities, including executive branch agencies or law enforcement. Such disclosure is permitted when it promotes the protection of public resources, the integrity of public programs, or aids in the law enforcement process, as described in Minnesota Statutes, section 13.357.
- g. Comply with Executive Order 25-10 Empowering State Agencies to Continue Combatting Fraud.
- h. Apply any other remedy specified in state statute, federal law, or Minnesota rule relevant to the grant, grant program, funding, or appropriation.

Training

Knowledge of agency and enterprise policies and procedures is key to preventing fraud and misuse, and managing risks associated with administering grants.

1. Agencies must ensure all staff assigned grants management responsibilities receive training sufficient to support the performance of their job functions. This includes, at a minimum, documenting staff's completion of the following trainings:
 - a. An initial grants management training before assuming grants management responsibilities. This must include training modules designated by OGM, and any other initial trainings designated by the agency.
 - b. Continuing grants management training on an annual basis per Minnesota Statutes, section 16B.98, subdivision 6a. This must include training modules designated by OGM, and any other annual continuing grants management trainings designated by the agency, including training agency staff to understand and apply agency grants policies, procedures and controls.
 - c. Specific trainings on agency expectations for staff on fraud prevention and reporting, including this policy.
2. See the OGM website for classes and enrollment information.

Retaliation Prohibited

Minnesota Statutes, section 181.932 protects state employees who, in good faith, report suspected or actual violations of law, including fraud or misuse in state grant programs.

Applicability

This policy applies to all executive branch agencies, boards, committees, councils, authorities, and task forces that manage and award grants.

Definitions

Fraud: Fraud means obtaining something of value through willful misrepresentation. Examples of fraud in grants or grant programs could include, but are not limited to:

- Submitting false or inaccurate information on grant applications, which can include fake documents, inflated budgets, inaccurate qualifications, or misrepresentation of one's identity or eligibility to get approved for a grant.
- Altering or fabricating invoices, receipts, payroll records or other supporting documentation to attempt to receive payment for expenses or activities that did not occur or services that were not actually provided.
- Spending grant money on personal expenses or other unallowable expenses and submitting altered documents to support the expenses.
- Falsifying or providing misleading or inaccurate information in reports or program beneficiary data or records to receive inflated or improper payment.

Misuse: Misuse means the improper use of public resources, funds, or programs for personal benefit, to the detriment of others, or in a manner inconsistent with their intended purpose, including waste and abuse.

Examples of misuse in grants or grant programs could include, but are not limited to:

- Using public money or resources for a purpose other than which the money was appropriated or contractually obligated.
- Spending grant funds for ineligible or unallowable expenses or activities that are not directly aligned with the grant program or its goals.
- Underestimating or overestimating costs beyond industry standards, leading to inefficient spending or unused funds.
- Unnecessary expenses such as purchasing materials that are never used, costs that are not an ordinary or necessary expense for the approved grant budget or assigning shared costs to the grant in a way that is inconsistent with how those same costs are treated in other parts of the organization.
- Paying inflated wages or making overpayments, including buying overpriced equipment or services when more cost-effective options are available.
- Awarding subcontracts or grants without proper oversight or competition, such as giving contracts to friends or relatives or funding ineffective programs.
- Applying for multiple grants for the same project and misallocating funds, such as using grant funds to cover unrelated costs from another project.

Suspected Fraud or Misuse of Grants or Grant Programs: Suspected fraud or misuse of Grants or Grant Programs as used in this policy means any evidence or information, documents, data, or other knowledge that give reason to believe that grants or grant programs have been misused or experienced fraudulent activity. Agencies and individuals do not need to achieve a certain threshold of suspicion before acting.

Resources and Related Information

- [Minnesota Statutes, section 16B.97](#)
- [Minnesota Statutes, section 16B.98](#)
- [Minnesota Statutes, section 16B.981](#)
- [Minnesota Statutes, section 13.357](#)
- [Minnesota Statutes, section 181.932, subdivision 1 \(6\)](#)
- [Minnesota Rules, 1230.1150, subpart 2](#)
- [MMB HR/LR Policy #1445 Code of Ethical Conduct](#) contains other reporting duties.
- [MMB Statewide Operating Policy 0102-01 Internal Control System](#) requires agencies to design, implement, and maintain an effective internal control system.
- [Executive Order 25-10: Empowering State Agencies to Continue Combatting Fraud](#)

History and Updates

Version	Description	Date
1.0	Initial Publication	7/15/2008
2.0	Revision	3/23/2026

Policy Owner/Contact

Policy Owner: Enterprise Managing Director, Office of Grants Management

Policy Contact: Office of Grants Management, Policy and Agency Support Team