



# Hometown Heroes Assistance Program

## Special Review

August 2023

**Office of the Legislative Auditor**

State of Minnesota



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**State of Minnesota**  
**Office of the Legislative Auditor**

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August 2023

Members of the Legislative Audit Commission:

In 2021, the Minnesota Legislature established the “Hometown Heroes Assistance Program.” The legislation directed the Commissioner of Public Safety to award a grant to the nonprofit organization Minnesota Firefighter Initiative—also known as MnFIRE—to administer the program. In late 2022, the Office of the Legislative Auditor received a complaint about the program, and in February 2023, based on our assessment of the complaint, we initiated a special review.

We found that the Department of Public Safety (DPS) did not adequately manage the Hometown Heroes grant, particularly in the grant’s first year. We also found that MnFIRE did not comply with certain procurement requirements, and that a DPS employee violated state ethical conduct policies. Further, we found that the Fire Service Advisory Committee—which recommends allocations from a special revenue account—has not followed state grant requirements, and DPS has not implemented any meaningful oversight of these funds. We make several recommendations to DPS, MnFIRE, the Fire Service Advisory Committee, and others related to grant oversight, procurement practices, and compliance with ethical conduct policies.

This special review was conducted by Katherine Theisen (Special Reviews Director) and Joel Alter, with assistance from Kelly Lehr and Libby Wallace. DPS cooperated fully with our review, and we thank them for their assistance.

Sincerely,



Judy Randall  
Legislative Auditor



Katherine Theisen  
Special Reviews Director



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## Hometown Heroes Assistance Program

**The Department of Public Safety (DPS) did not adequately manage the Hometown Heroes grant, particularly in the grant’s first year.**

### Report Summary

#### DPS’s Oversight of the Hometown Heroes Grant

- In our review of a sample of grant expenses, we identified a number of concerning issues, including DPS payments of unallowable grant expenses. (p. 10)

**Recommendation** ► DPS should conduct a full audit of MnFIRE’s requests for payment for expenses it charged to the Hometown Heroes grant. (p. 12)

- According to DPS officials, during the first year of the Hometown Heroes grant, DPS’s Office of Justice Programs made advance payments (rather than reimbursements) to the grantee—in violation of its own policies and state grant policies. (p. 14)

**Recommendation** ► DPS should ensure grant payments are made as reimbursements, rather than advance payments, unless it has approved a written justification for doing so. (p. 15)

- DPS did not initiate timely monitoring visits or financial reconciliations of the Hometown Heroes grant. (p. 16)

**Recommendation** ► DPS should ensure that it conducts monitoring visits and financial reconciliations in accordance with state grant policy. (p. 17)

#### MnFIRE’s Compliance with Procurement Requirements

- MnFIRE’s procurements did not comply with legal requirements we reviewed, and DPS did not monitor and enforce MnFIRE’s compliance with these requirements. (p. 21) For example, MnFIRE procured some services related to the Hometown Heroes grant without entering into written contracts. (p. 22) And, MnFIRE entered into multiple contracts without following required solicitation procedures or adequately documenting its procurement process. (p. 24)

**Recommendations** ► MnFIRE should comply with state grant requirements related to procurement. Further, DPS should ensure that grantees properly understand procurement requirements, and it should monitor and enforce compliance with those requirements. (p. 26)

### Background

In 2021, the Minnesota Legislature established the Hometown Heroes Assistance Program, which was intended to provide assistance to firefighters afflicted with certain physical or emotional health problems, and educate firefighters about the health issues they face in their professional life.

The Legislature funded the program through a grant (\$4 million annually) that it allocated to the nonprofit organization Minnesota Firefighter Initiative, commonly known as MnFIRE. DPS’s Office of Justice Programs oversaw the grant during its first year (Fiscal Year 2022), and DPS’s State Fire Marshal Division oversaw the grant during its second year (Fiscal Year 2023).

While the initial focus of our review was the Hometown Heroes grant, we also examined other funding DPS allocated to MnFIRE in fiscal years 2019-2023. We expanded the scope of this review due to concerns we had about some practices we observed with the Hometown Heroes grant.

## Ethical Conduct Issues

- In our review, we identified a violation of state ethical conduct policies by an employee who received payments (1) from a state grantee for which the employee had an oversight responsibility, and (2) for providing training related to their state employment. (p. 33)

**Recommendations** ► The employee should take immediate steps to remediate the violation of state ethical conduct policies, and should avoid situations in the future that would violate state ethical conduct laws or policies. Further, DPS should work with Minnesota Management and Budget to take any additional necessary actions to address the misconduct. (p. 37)

## Oversight of Fire Safety Account Allocations

The Fire Safety Account receives revenues from surcharges applied to homeowner’s insurance policies, commercial fire policies, and commercial nonliability policies. The Minnesota Legislature appropriates funds from the Fire Safety Account to designated entities and to DPS to allocate based on the recommendations of the state Fire Service Advisory Committee.

- State law does not explicitly indicate whether allocations to nonstate entities from the Fire Safety Account are considered to be grants or purchases. (p. 41) However, because the Fire Safety Account funds allocated to MnFIRE and other nonstate entities were used to support a public purpose authorized by law, we think these types of expenditures are best categorized as grants.
- The Fire Service Advisory Committee has not followed state grant requirements when selecting nonstate entities to receive Fire Safety Account funds, and DPS has not implemented any meaningful oversight of these funds. (pp. 42, 45)

**Recommendation** ► The Fire Service Advisory Committee and DPS should strengthen their processes for awarding and overseeing allocations to nonstate entities from the Fire Safety Account. (p. 47)

**Recommendation** ► The Legislature should clearly indicate that allocations to nonstate entities from the Fire Safety Account should be regarded as grants. (p. 48)

## Summary of Responses

In a letter dated August 25, 2023, Bob Jacobson, Commissioner of Public Safety, said that DPS “has already taken measures to address findings listed within this report” and that it “will continue to find and implement opportunities for improvement in the oversight and management of the [Hometown Heroes] grant and [Fire Safety Account] allocations that are in alignment with the audit’s findings and recommendations.”

In a letter dated August 28, 2023, George Esbensen, Board President of the Minnesota Firefighter Initiative (MnFIRE), stated that MnFIRE “appreciates the feedback and recommendations detailed in this report,” and that “MnFIRE’s fiduciary duty, commitment to transparency, and responsibility for this life-saving program are obligations we take extremely seriously.”

In a letter dated August 25, 2023, Ed Hoffman, Vice Chair of the Fire Service Advisory Committee, and BJ Jungmann, Past Chair, said that “The committee looks forward to getting clarification on whether the Fire Safety Account is considered a grant or procurement,” and then “implementing the appropriate changes to ensure compliance with the state regulations.”

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# Introduction

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Minnesota has more than 770 fire departments statewide, with nearly 20,000 firefighters. Minnesota relies on volunteer firefighters to a greater extent than most states. According to federal data, 97.2 percent of Minnesota’s fire departments are classified as “volunteer” or “mostly volunteer,” compared with a national rate of 85.8 percent.<sup>1</sup>

Studies have shown that firefighters face serious health risks. For example, a multiyear study of firefighters in Chicago, Philadelphia, and San Francisco found that, compared with the general population, firefighters had more cancer diagnoses and cancer-related deaths, particularly for digestive, oral, respiratory, and urinary cancers.<sup>2</sup> In addition, sudden cardiac deaths accounted for almost 40 percent of fatal injuries that occurred while firefighters were on duty in 2022.<sup>3</sup> According to one review of research, the high mortality rate from such incidents “is largely due to the physically demanding nature of their occupation, which requires firefighters to sustain a high level of physical intensity for prolonged periods, particularly when involved with fire suppression.”<sup>4</sup> Another study cited previous research showing higher rates of suicidal ideation and attempts among firefighters than among the general population.<sup>5</sup>

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## Hometown Heroes Assistance Program

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In 2021, the Minnesota Legislature established the “Hometown Heroes Assistance Program.”<sup>6</sup> The legislation directed the Commissioner of Public Safety to award a grant to the Minnesota Firefighter Initiative—also known as MnFIRE—to administer this program. The law requires MnFIRE to use grant funds to:

- Establish and fund a critical illness monetary support program for firefighters who are diagnosed with a critical illness on or after August 1, 2021.

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<sup>1</sup> U.S. Fire Administration, National Fire Department Registry Quick Facts, <https://apps.usfa.fema.gov/registry/summary#c>, accessed April 8, 2023. Using the National Fire Protection Association definition, “volunteer” or “mostly volunteer” fire departments are those in which fewer than 50 percent of firefighters are “career” firefighters.

<sup>2</sup> U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Institute for Occupational Safety and Health, *Findings from a Study of Cancer Among U.S. Firefighters* (Washington, D.C., July 2016), 1, <https://www.cdc.gov/niosh/pgms/worknotify/pdfs/ff-cancer-factsheet-final-508.pdf>, accessed April 27, 2023.

<sup>3</sup> Richard Campbell and Jay T. Petrillo, *Fatal Firefighter Injuries in the US in 2022* (Quincy, MA: National Fire Protection Association, June 2023), 4, <https://www.nfpa.org/-/media/Files/News-and-Research/Fire-statistics-and-reports/Emergency-responders/osFFF.pdf>, accessed August 3, 2023.

<sup>4</sup> Jason Ras, Andre P. Kengne, Denise L. Smith, et al., “Association between Cardiovascular Disease Risk Factors and Cardiorespiratory Fitness in Firefighters: A Systematic Review and Meta-Analysis,” *International Journal of Environmental Research and Public Health* 20 (February 2023): 2816-2817.

<sup>5</sup> Colleen E. Martin, Anka A. Vujanovic, Daniel J. Paulus, et al., “Alcohol Use and Suicidality in Firefighters: Associations with Depressive Symptoms and Posttraumatic Stress,” *Comprehensive Psychiatry* 74 (2017): 44.

<sup>6</sup> *Laws of Minnesota* 2021, First Special Session, chapter 11, art. 2, sec. 12, codified as *Minnesota Statutes* 2022, 299A.477.

- Develop a psychotherapy program customized to address emotional trauma experienced by firefighters, with up to five psychotherapy sessions provided to all firefighters in the state annually.
- Coordinate additional psychotherapy sessions to firefighters who need them.
- Develop, annually update, and annually provide to all firefighters in the state at least two hours of training on critical illnesses and emotional trauma.<sup>7</sup>

MnFIRE—created in 2016—is a private, nonprofit organization that has advocated for state funding related to firefighter health, including the Hometown Heroes legislation.<sup>8</sup> The organization also works to improve awareness of issues related to firefighter health, and it educates firefighters about health risks through online and in-person training. In addition, MnFIRE oversees a 24-hour-a-day hotline that provides firefighters and their families with support, guidance, and information related to health resources and benefits. According to MnFIRE’s tax disclosure forms for July 2021 through June 2022, 95 percent of MnFIRE’s revenues during that period were from government grants.

The 2021 Legislature appropriated \$4 million in each year of the fiscal year 2022-2023 biennium to the Department of Public Safety’s (DPS’s) Office of Justice Programs (OJP) for the Hometown Heroes program.<sup>9</sup> In 2022, the Legislature transferred “any amounts remaining in the appropriation” to the State Fire Marshal Division (SFMD), a separate unit in DPS, to continue the program. This transfer in the grant’s oversight took effect on May 3, 2022.<sup>10</sup> In 2023, the Legislature appropriated \$4 million per year to SFMD to continue the Hometown Heroes program into fiscal years 2024 and 2025.<sup>11</sup>

Prior to the Hometown Heroes program, MnFIRE received other state funds from DPS. As Exhibit 1 shows, from fiscal years 2019 through 2023, DPS allocated a total of \$2.02 million to MnFIRE from the Fire Safety Account, a special revenue account in the state treasury. The Fire Safety Account receives revenues from surcharges applied to homeowners’ insurance policies, commercial fire policies, and commercial nonliability policies.<sup>12</sup> State law authorizes the Commissioner of Public Safety to spend funds from the Fire Safety Account in accordance with recommendations of the state Fire Service Advisory Committee.<sup>13</sup>

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<sup>7</sup> *Minnesota Statutes* 2022, 299A.477, subd. 2. The law also allows MnFIRE to use grant funds for administrative and overhead costs associated with these activities.

<sup>8</sup> Minnesota Firefighter Initiative (MnFIRE), <https://mnfireinitiative.com/about/>, accessed February 7, 2023.

<sup>9</sup> *Laws of Minnesota* 2021, First Special Session, chapter 11, art. 1, sec. 14, subd. 7(k).

<sup>10</sup> *Laws of Minnesota* 2022, chapter 49, sec. 2.

<sup>11</sup> *Laws of Minnesota* 2023, chapter 52, art. 2, sec. 3, subd. 5(d).

<sup>12</sup> *Minnesota Statutes* 2022, 297I.06.

<sup>13</sup> *Minnesota Statutes* 2022, 299F.012, subds. 1 and 2(a). According to the law, the committee consists of “representatives of each of the following organizations: two appointed by the president of the Minnesota State Fire Chiefs Association, two appointed by the president of the Minnesota State Fire Department Association, two appointed by the president of the Minnesota Professional Fire Fighters, two appointed by the president of the League of Minnesota Cities, one appointed by the president of the Minnesota Association of Townships, one appointed by the president of the Insurance Federation of Minnesota, one appointed jointly by the presidents of the Minnesota Chapter of the International Association of Arson Investigators and the Fire Marshals Association of Minnesota, and the commissioner of public safety or the commissioner’s designee.”

**Exhibit 1**  
**State Funding Allocated to MnFIRE, Fiscal Years 2019-2023**

	Fiscal Years				
	2019	2020	2021	2022	2023
Fire Safety Account	\$500,000	\$60,000	\$400,000	\$ 60,000	\$1,000,000
Hometown Heroes Assistance Program	–	–	–	4,000,000	4,000,000
<b>Total</b>	<b>\$500,000</b>	<b>\$60,000</b>	<b>\$400,000</b>	<b>\$4,060,000</b>	<b>\$5,000,000</b>

Source: Office of the Legislative Auditor.

## Scope of OLA's Review

In late 2022, we received a complaint about the Hometown Heroes Assistance Program. In February 2023, based on our assessment of the complaint, we initiated a special review of the program. The primary questions addressed in our review were:

- **Has DPS properly managed the Hometown Heroes Assistance Program grant, which the Legislature directed to MnFIRE starting in 2021?**
- **Has MnFIRE followed proper procurement practices under the Hometown Heroes program?**
- **Have Hometown Heroes funds been spent in a manner consistent with state law, and is the program achieving its goals?**
- **Has DPS complied with state law in its oversight of Fire Safety Account allocations it provided to MnFIRE and other nonstate entities?**

We examined documents related to the Hometown Heroes Assistance Program, such as grant agreements, contracts, payment records, progress reports, and measures of program outcomes. We focused particular attention on payments and practices during the grant's first year (Fiscal Year 2022). We interviewed DPS staff and grantee representatives. We reviewed state laws, policies, and guidance related to state grants and procurement. We also examined MnFIRE's supporting documentation for a sample of expenditures for which it received state funds. We discuss our findings and recommendations concerning DPS's oversight of the Hometown Heroes grant in Chapter 1, and MnFIRE's administration of the grant in Chapters 2 and 3.

Our review considered whether there was evidence of any violations of state ethical conduct policies in the oversight or implementation of the Hometown Heroes Assistance Program. Chapter 4 discusses one such issue that we think merits attention.

Finally, although the original focus of our review was the Hometown Heroes Assistance Program, during the course of our research, we became concerned with how DPS had allocated Fire Safety Account funds to MnFIRE. Thus, we expanded our review to also examine DPS's practices for making Fire Safety Account allocations. We further discuss the Fire Safety Account allocations and the Fire Service Advisory Committee in Chapter 5.



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# Chapter 1: Department of Public Safety's Oversight of the Hometown Heroes Grant

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As we stated in the Introduction, the Minnesota Legislature established the “Hometown Heroes Assistance Program” in 2021.<sup>1</sup> The legislation directed the Commissioner of Public Safety to award a grant to the Minnesota Firefighter Initiative (MnFIRE) to administer this program.

We examined the Department of Public Safety's (DPS's) compliance with state laws and policies in its oversight of the Hometown Heroes grant. The state's grants management policies apply to the oversight of all grants, including legislatively mandated grants, such as the Hometown Heroes grant.<sup>2</sup> We also examined compliance with DPS's internal grants management policies as part of our review.

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**DPS complied with some state grant policies in its administration of the Hometown Heroes grant, but DPS did not exercise adequate oversight of the grant, particularly during the grant's first year.**

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A key area in which DPS complied with state grant policies was the establishment of a grant agreement with MnFIRE, as required by state law. However, DPS exercised inadequate oversight of the grant, particularly in its first year. In the following sections, we describe noncompliance related to:

- The review of MnFIRE's riskiness as a grantee.
- The review and approval of MnFIRE's payment requests.
- The timing of grant payments to MnFIRE.
- Monitoring visits and financial reconciliations.
- The review of grant progress reports.
- The grant closeout evaluation.

DPS's Office of Justice Programs (OJP) administered the grant during its first year, and DPS's State Fire Marshal Division (SFMD) administered the grant during its second year. OJP and SFMD are separate units within DPS.

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<sup>1</sup> *Laws of Minnesota 2021*, First Special Session, chapter 11, art. 2, sec. 12, codified as *Minnesota Statutes 2022*, 299A.477.

<sup>2</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-11, *Policy on Legislatively Mandated Grants*, issued December 18, 2008, 1.

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## Pre-Award Financial Review

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State grant policy requires assessments of a potential grantee's financial stability prior to receiving a grant:

Before awarding a grant of over \$25,000 to a nongovernmental organization, Minnesota state agencies must assess a recent financial statement from that organization. Items of significant concern must be discussed with the grant applicant and resolved to the satisfaction of state agency staff before a grant is awarded.<sup>3</sup>

OJP's policies require completion of a pre-award risk assessment before a grant is executed. Based on the risk assessment, the office might add requirements to the terms of the grant to address risks identified.

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**The Office of Justice Programs conducted a pre-award risk assessment of the grantee—as required by state grants policy—but the assessment did not identify problems that later became apparent regarding MnFIRE's capacity to manage a large increase in revenues.**

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OJP staff completed a risk assessment of MnFIRE in mid-October 2021, about three weeks before DPS and the grantee signed their grant agreement and DPS encumbered the grant funds. The assessment flagged a number of areas that represented potential areas of risk. Specifically, the assessment cited the following:

- The grant was large (greater than \$750,000).
- MnFIRE did not have a grant with OJP in the prior year.
- MnFIRE did not have ways to prevent grant funds from commingling with its other funds.
- MnFIRE did not have a paid bookkeeper.<sup>4</sup>
- MnFIRE did not have written policies and procedures for accounting, procurement, and payroll.
- The MnFIRE Board of Directors met less than once a month.

These risks resulted in MnFIRE receiving a relatively high score on the pre-award risk assessment. Higher scores on the assessment are intended to reflect higher levels of risk.

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<sup>3</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

<sup>4</sup> While OJP's risk assessment indicated that MnFIRE did not have a paid bookkeeper, a contract with one of MnFIRE's vendors provided for bookkeeping services.

The portion of the risk assessment that evaluated MnFIRE's financial stability did not identify any concerns. For example, MnFIRE did not have an operating deficit or a deficit in unrestricted net assets in its most recent financial documents reviewed for the assessment. In 2020, MnFIRE's total revenues exceeded its total expenditures by about \$11,000, and the organization reported about \$64,000 in net assets at the end of 2020.

However, a careful review of the IRS Form 990 for calendar year 2020, which MnFIRE submitted to DPS with its Hometown Heroes grant application, could have raised questions about the organization's capacity to manage a large influx of funds. MnFIRE's total revenues in 2020 (\$257,527) were just 6 percent of the amount MnFIRE would receive annually under the Hometown Heroes grant (\$4 million). Thus, MnFIRE was assuming responsibility for a grant that would represent the overwhelming share of its operating revenues.

As we discuss in more detail in Chapter 5, after the grant transferred from OJP to SFMD in 2022, there was a period of five months when DPS's payments to MnFIRE were small or nonexistent. As a result, in summer 2022—less than one year after DPS awarded the Hometown Heroes grant to MnFIRE—MnFIRE was unable to pay its bills.

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## RECOMMENDATION

**DPS should ensure that its pre-award risk assessments are sufficiently thorough.**

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State grant policy says that “It is the policy of the State of Minnesota to make grants to nongovernmental organizations that are financially stable enough to carry out the purpose of the grant.”<sup>5</sup> DPS's grants coordinator told us that a proper OJP risk assessment at the outset of the Hometown Heroes grant process should have brought MnFIRE's cash flow limitations to light.

When agency staff identify concerns about a grantee's financial viability, state grant policy allows agencies to

build in effective grant supports through additional requirements in the pre-award negotiation process, the grant contract agreement, ongoing monitoring, and grantee technical assistance to address concerns identified in the financial document review process.<sup>6</sup>

We think a more careful review of MnFIRE's IRS Form 990 should have prompted OJP to implement additional requirements of the grantee. Additional monitoring and technical assistance, for example, may have prevented the situation in summer 2022 where MnFIRE requested an additional \$1 million in state funding because it was otherwise unable to pay its bills.

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<sup>5</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1.

<sup>6</sup> *Ibid*, 3.

## Payment Requests

State grant policy says that “[r]eimbursement is the preferred method for making grant payments.”<sup>7</sup> That is, after a state grantee incurs expenses related to its grant, it submits requests for reimbursement to the agency overseeing the grant. Then, state agency staff review the requests, which might include documentation (such as invoices and receipts) that show how the expenses relate to the grant. If all of the agency’s requirements have been met, the agency approves the requests for payment.

## Review and Approval of Payment Requests

According to state grant policy:

The State’s authorized representative or their successor, named in the grant contract agreement or notice of grant award, shall review each request for reimbursement against the approved grant budget, grant expenditures to-date and the latest grant progress report before approving payment.<sup>8</sup>

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### **DPS’s Office of Justice Programs did not clearly define staff roles for the grant’s oversight, and the office’s “authorized representative” for the grant did not fulfill the oversight required by state grant policy.**

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During at least the first ten months of the Hometown Heroes grant—the period in 2021-2022 when the grant was administered by OJP—one person was designated as the “state’s authorized representative” for the grant, and another person was designated as the “grant manager.”<sup>9</sup> The state’s authorized representative—as specified in the grant agreement between OJP and MnFIRE—was an employee of OJP.<sup>10</sup> The grant manager—named in a separate agreement—was an SFMD employee who served as the executive director of the Minnesota Board of

#### **Fiscal Year 2022**

- DPS unit responsible for oversight: **OJP**
- State’s authorized representative: **OJP employee**
- Grant manager: **MBFTE executive director**



#### **Fiscal Year 2023**

- DPS unit responsible for oversight: **SFMD**
- State’s authorized representative and grant manager: **SFMD employee**

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<sup>7</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1.

<sup>8</sup> *Ibid.*

<sup>9</sup> Although the Legislature transferred the Hometown Heroes grant to SFMD effective May 3, 2022, the individuals who had been designated as the “state’s authorized representative” and “grant manager” for the grant continued in these roles until a new grant agreement was established. For example, these individuals approved grant payments to MnFIRE in May and June 2022, after the date of the transfer.

<sup>10</sup> Grant Contract Agreement between the Minnesota Department of Public Safety, Office of Justice Programs, and the Minnesota Firefighter Initiative, November 5, 2021.

Firefighter Training and Education (MBFTE).<sup>11</sup> According to DPS staff, it was unusual for an individual from outside of OJP to serve as a grant manager for OJP.<sup>12</sup>

Neither of the agreements mentioned above clearly identified who was responsible for reviewing MnFIRE's payment requests. The agreement that designated the MBFTE executive director as the grant manager for this grant said that he would "review and approve the Minnesota Firefighter Initiative (MnFIRE) application, budget, and subsequent quarterly financial and programmatic reports and...advise OJP on MnFIRE's progress on the Hometown Heroes program."<sup>13</sup> The grant agreement between OJP and MnFIRE stated that "the State will promptly pay the Grantee after...the State's Authorized Representative accepts the invoiced services..."<sup>14</sup>

The person who served as the state's authorized representative for OJP told us that she did not review the grantee's payment requests or progress reports. She said she understood that the grant manager performed those tasks.<sup>15</sup> However, this meant that—contrary to the state grant policy quoted above—no OJP employee carefully scrutinized the grantee's payment requests.

When the 2022 Legislature transferred the grant to SFMD, that division and MnFIRE entered into a new grant agreement. The agreement—signed at the end of June 2022—designated the person who had been newly assigned by the State Fire Marshal as the grant manager to also serve as the state's authorized representative for the Hometown Heroes grant. As a result of this change, an employee of the division managing the grant became responsible for reviewing and approving the grantee's payment requests.

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## RECOMMENDATION

### **DPS should ensure that the state's authorized representative reviews grantee payment requests in accordance with state grant policy.**

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In our view, it is important for the state's authorized representative charged with overseeing a grant to directly oversee grant activities and payments. Not only is this required by state grant policy, but it also provides an important mechanism by which DPS can ensure that grant funds are used for allowable purposes.

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<sup>11</sup> Intra-Agency Agreement between the Minnesota Department of Public Safety, Office of Justice Programs division, and the Minnesota Board of Firefighter Training and Education, October 15, 2021.

<sup>12</sup> A DPS official told us this individual was assigned to be the grant manager in 2021 because he had technical expertise regarding firefighting services.

<sup>13</sup> Intra-Agency Agreement between the Minnesota Department of Public Safety, Office of Justice Programs division, and the Minnesota Board of Firefighter Training and Education, October 15, 2021.

<sup>14</sup> Grant Contract Agreement between the Minnesota Department of Public Safety, Office of Justice Programs, and the Minnesota Firefighter Initiative, November 5, 2021, 2.

<sup>15</sup> The OJP staff person who served as the state's authorized representative for the grant told us that her role was largely one of entering information into the DPS online grant management system at the grant manager's direction.

## Documentation Supporting Payment Requests

We examined the payment requests submitted by MnFIRE to DPS, and we discussed the payment process with DPS's grant managers and other DPS staff.

- The grant manager for the first year of the grant (the executive director of MBFTE) told us he received payment requests in which grantee expenditures were shown by budget category. However, he acknowledged that he did not ask for or receive supporting documentation (such as receipts or cancelled checks), and he said he understood that some of the expenditures in the payment requests had not yet been incurred.
- Other DPS staff who reviewed the payment documentation from the period when OJP oversaw the Hometown Heroes grant said there was no detailed supporting documentation for the payment requests. This made it difficult, they said, to determine the nature of the expenditures, or to determine whether the expenditures had actually occurred.
- It was not until about halfway through the second year of the grant that MnFIRE began providing detailed supporting documentation for payment requests.

Because of concerns about the lack of documentation supporting the payment requests, OLA examined MnFIRE's documentation for a sample of such requests. In addition, we assessed the clarity of DPS's policies that address what supporting documents should be reviewed by DPS before it authorizes grant payments. We discuss those issues below.

### OLA Review of Expenditure Documentation

We requested detailed documentation—including invoices, receipts, cancelled checks, and bank statements—for a sample of grant expenses from the first and second year of the Hometown Heroes grant. Specifically, we reviewed documentation MnFIRE provided for 128 expenses DPS approved for payment between November 2021 and April 2023.<sup>16</sup>

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**In our review of a sample of grant expenses, we identified a number of concerning issues, including DPS payments of unallowable grant expenses.**

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First, DPS reimbursed MnFIRE for expenses it incurred prior to the start of the Hometown Heroes grant. State law provides that work may not begin on a grant prior

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<sup>16</sup> Our sample included 83 of the 323 total expenses (26 percent) DPS approved between November 22, 2021, and June 30, 2022, and 45 of the 397 total expenses (11 percent) DPS approved between July 1, 2022, and April 19, 2023. Our sample contained more expenses from the first year of the grant because we found DPS's internal controls were less robust during the first year compared to the second year of the grant.

to the execution of a grant agreement.<sup>17</sup> However, 10 of the 128 expenses in our sample (8 percent) were paid by MnFIRE prior to November 5, 2021, when OJP and MnFIRE entered into the Hometown Heroes grant agreement. For example, in early December 2021, DPS paid MnFIRE for an annual subscription to Zoom, totaling \$2,149.43. According to the invoice MnFIRE provided to us, it paid the expense on October 13, 2021, about one month prior to the execution of the Hometown Heroes grant agreement. DPS should not have reimbursed MnFIRE for this expense.

Second, DPS reimbursed MnFIRE for other unallowable expenses as specified in OJP's grant manual.<sup>18</sup> For example, 13 of the 128 expenses in our sample (10 percent) included state and local sales tax, one category of unallowable costs. As another example, on multiple occasions, DPS reimbursed MnFIRE for expenses that exceeded OJP's maximum hourly compensation rate for grantees' consultants.<sup>19</sup> Again, DPS should not have reimbursed MnFIRE for these expenses.

Third, despite our requests for detailed documentation supporting grant expenses, MnFIRE did not always provide us with documentation we could use to reconcile the funds it requested from DPS with the dollars it actually spent administering its program. For example, for 12 of the 128 expenses in our sample (9 percent), MnFIRE did not provide documentation—such as an invoice or receipt—that demonstrated whether the expenses were allowable under the Hometown Heroes grant. As another example, for over 70 percent of the expenses in our sample, we were unable to verify that MnFIRE paid its vendors the amounts it requested from DPS.

Fourth, we questioned whether 20 of the 128 expenses in our sample (16 percent) were paid for under the appropriate budget categories. State grant policy requires that grantees' requests for payment correspond to line items in the approved grant budget.<sup>20</sup> In OJP's grant contract with MnFIRE, for example, OJP specified that MnFIRE would be able to spend just over \$1.7 million on a critical illness policy.<sup>21</sup> However, among our sample of grant expenses, DPS paid MnFIRE nearly \$4,300 for expenses under the critical illness policy budget category that were actually for (1) developing curriculum to teach healthcare providers about the pervasiveness of certain health problems among firefighters, and (2) publicizing MnFIRE's programs. These expenses should have been reimbursed from other budget categories approved by DPS.

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<sup>17</sup> *Minnesota Statutes 2022*, 16C.05, subd. 2. OJP's grant manual also states that costs incurred outside of the grant period are unallowable costs that should not be funded by grant funds (Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 30).

<sup>18</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 30.

<sup>19</sup> OJP's grant manual indicates that grant funds cannot be used to pay for consultant fees in excess of \$81.25 per hour; in these instances, MnFIRE paid the consultant at a rate of \$100 per hour.

<sup>20</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1.

<sup>21</sup> *Minnesota Statutes 2022*, 299A.477, subd. 2, requires MnFIRE to use grant funds to establish and fund a critical illness monetary support program for firefighters diagnosed with critical illnesses on or after August 1, 2021.

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## RECOMMENDATION

### **DPS should conduct a full audit of MnFIRE’s requests for payment for expenses it charged to the Hometown Heroes grant.**

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Given the number of concerns we identified in our review of MnFIRE documentation, we are concerned that DPS has paid MnFIRE for unallowable, inappropriate, or improperly justified grant expenses. As the state agency fiscally responsible for the Hometown Heroes grant, DPS should reconcile all of MnFIRE’s requests for payment with documentation supporting the requests. If and when DPS identifies unallowable, inappropriate, or improperly justified grant expenses, it should take steps to recover payment from MnFIRE or otherwise resolve the issues it identifies.

### **Clarity of Policies on Expenditure Documentation**

The state’s policy on grant payments says that state agencies “shall review each request for reimbursement against the approved grant budget, grant expenditures to-date and the latest grant progress report before approving payment.”<sup>22</sup> The policy does not explicitly indicate what evidence of expenditures an agency should review before authorizing grant payments. Therefore, we reviewed DPS policies on this issue.

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### **The manuals that establish grant policies for different DPS divisions provide inconsistent guidance regarding the documentation that should support DPS payments to grantees.**

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The OJP grant manual says that a grantee must maintain detailed documentation (“invoices/vouchers”) in its records in case DPS conducts a “financial desk review” (also known as a financial reconciliation).<sup>23</sup> The manual says the grantee is usually not required to submit this documentation of expenditures to DPS at the time the grantee submits a payment request.<sup>24</sup>

In contrast, the manual used by DPS’s Homeland Security and Emergency Management (HSEM) division (which DPS staff used when overseeing the grant during its second year) says a grantee must submit proof of its expenditures and source documentation to DPS. The manual says:

Because [the division] administers reimbursement-based sub-grants, proof of payment in the form of either a copy of the front and back of a cancelled check or a clear and accurate expenditure report from a sub-grantee’s financial system must be submitted for every expense in [a payment request]. The proof of payment document should include

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<sup>22</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1.

<sup>23</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 15.

<sup>24</sup> The manual says the grantee may be required to submit detailed documentation in the event of cash flow concerns, financial reporting problems, routine desk reviews, or other circumstances. *Ibid.*, 34.

dollar amounts, dates, vendor names, and invoice numbers that match the information included in the [payment request].<sup>25</sup>

We asked the DPS grants coordinator about these apparent policy differences, and she acknowledged that these differences exist. She said that, in her opinion, it would be preferable for a grant manager to request detailed documentation of grantee expenditures in cases where the grantee is inexperienced or has significant risk factors, as was the case with MnFIRE.

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## RECOMMENDATION

**DPS should provide consistent direction in its grant manuals—for example, regarding the extent of expenditure documentation that DPS staff should review prior to authorizing grant payments.**

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The fact that the Hometown Heroes grant transferred from one DPS division (OJP) to another (SFMD) drew our attention to the issue of policy consistency. We do not see a rationale for policy differences among DPS divisions regarding what level of documentation should be submitted by grantees in support of their payment requests.

During the course of our review, we also observed other areas in which there were differences in the policies articulated by the grant manuals of OJP and HSEM. Specifically:

- **Contract requirements:** The OJP grant manual says: “All contracts of \$5,000 or more need prior approval from OJP.”<sup>26</sup> There is no similar provision for contract approval in the HSEM manual. In addition, the OJP manual lists required elements of grantee contracts, while the HSEM manual does not.
- **Timing of DPS monitoring reviews:** The OJP grant manual says there should be DPS site visits of the grantee at least once during the grant period for all grantees, with annual visits for grants of at least \$250,000. It also says that—at least once during the grant period for state-funded grants of \$50,000 or greater—there should be “financial desk reviews” during which DPS will reconcile the grantee’s documentation with a payment request.<sup>27</sup> In contrast, the HSEM manual does not have language that specifies the timing of monitoring visits, and based on the manual, HSEM reconciles grantees’ documentation with each payment request.

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<sup>25</sup> Minnesota Department of Public Safety, Division of Homeland Security and Emergency Management, *Grant Manual*, undated, 11, <https://dps.mn.gov/divisions/hsem/grants/Documents/grants-manual-revision-1.006.pdf>, accessed February 8, 2023. The manual also says: “Source documentation must also be provided for every expense included in [a payment request]. Source documentation can be in the form of a vendor’s invoice that is dated and includes a list of itemized charges or, for personnel expenses, a payroll report or a timesheet and breakdown of reimbursable hours and hourly rate of pay (including benefits and overtime pay, where applicable). It is the responsibility of the sub-grantee to clearly demonstrate how the source documentation aligns with the expenses included on the [payment request].” *Ibid.*, 11.

<sup>26</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 28.

<sup>27</sup> *Ibid.*, 50.

While there may be reasons for certain differences in the grant manuals used by different DPS divisions, we question whether there is a defensible reason for the differences outlined above.

## Grant Payments

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One of the state's grant management policies says that "reimbursement is the preferred method for making grant payments."<sup>28</sup> The policy allows a state agency to make advance payments (that is, payments before expenditures have been incurred) in certain circumstances, but only if the agency has approved a written justification for doing so.

The DPS policies applicable to OJP grants allow for grant payments to be made only on a reimbursement basis. OJP's grant manual says: "Grant payments are on a reimbursement basis only for costs actually paid/obligated during the reporting time period."<sup>29</sup> The manual does not identify advance payments as an option. For contracts a grantee may initiate, the manual says the authorized terms of payment to the contractor are "reimbursement only."<sup>30</sup> In addition to these general policies, the terms and conditions of the Hometown Heroes grant said: "The State will pay for all services performed by the Grantee under the grant agreement as a reimbursement...."<sup>31</sup>

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**According to DPS officials, during the first year of the Hometown Heroes grant, the Office of Justice Programs made advance payments (rather than reimbursements) to the grantee—in violation of its own policies and state grant policies.**

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As noted earlier, OJP's "authorized representative" for the Hometown Heroes grant did not review and approve the grantee's payment requests; she deferred to the grant manager (the executive director of MBFTE, who was an employee in a different DPS division) to oversee the payments.<sup>32</sup> The grant manager told us that he authorized payments to the grantee as advance payments rather than reimbursements.<sup>33</sup> He said that he and others assumed that MnFIRE would be paid in the same manner it had been

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<sup>28</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1.

<sup>29</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 32.

<sup>30</sup> *Ibid.*, 29.

<sup>31</sup> Grant Contract Agreement between the Minnesota Department of Public Safety, Office of Justice Programs, and the Minnesota Firefighter Initiative, November 5, 2021, "Terms and Conditions for Grantees that are Non-State Agencies," 1.

<sup>32</sup> The state's authorized representative told us she was notified when the grantee submitted payment requests and the grant manager approved them; she then indicated in the DPS grant management system that the payments had been approved.

<sup>33</sup> As we described earlier, we asked MnFIRE to provide us detailed records to support its grant expenses. However, due to unclear or missing documentation, we were unable to verify whether DPS made advance payments or reimbursements to MnFIRE.

paid for its previous allocations from the Fire Safety Account (namely, as advances rather than as reimbursements).<sup>34</sup>

At an August 2022 meeting of the Fire Service Advisory Committee, the DPS chief financial officer told the committee that the Hometown Heroes grant had been mistakenly paid through advance payments—rather than reimbursements—during the time it was administered by OJP. The chief financial officer told us he learned about this when he was helping to plan for the grant's transition from OJP to SFMD in mid-2022. He said he then insisted that the grantee be paid on a reimbursement basis.

DPS's agency-wide grants coordinator told us that it is the responsibility of a grant manager to ensure that payments to grantees are made as reimbursements, not as advance payments. However, it is worth noting that DPS selected as the Hometown Heroes grant manager a person (the executive director of MBFTE) who told us (1) he did not have prior experience managing grants and (2) he was not familiar with DPS grant management policies or the statewide policies of the Office of Grants Management.

DPS decided to use this person as a grant manager because he had knowledge about the firefighting profession and had previously overseen allocations to MnFIRE that DPS made from the Fire Safety Account. However, the grant manager told us that he did not draw on his specialized knowledge of firefighting services in his capacity as the Hometown Heroes grant manager. Also, although this individual had helped oversee prior DPS allocations of state funding to MnFIRE, those allocations suffered from similar failures to follow applicable policies, as we discuss in Chapter 5.

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## RECOMMENDATION

**DPS should ensure grant payments are made as reimbursements, rather than advance payments, unless it has approved a written justification for doing so.**

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Paying for grant expenses on a reimbursement basis gives state agencies an important mechanism for ensuring that taxpayer funds are being used as the Legislature intended. If a grantee is unable to account for grant funds and demonstrate that its expenses are appropriate, the state agency should not reimburse the expenses.

As we noted above, state grant policy allows state agencies to prepare and approve a written justification if advance grant payments are needed. The policy specifies, however, that

agencies must be confident that the grantee will be able to account for the grant funds and abide by the terms of the grant contract agreement or notice of grant award based on their past performance as a grantee of

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<sup>34</sup> As noted earlier, state grant policy allows for advance payments if an agency has prepared and approved a written justification for doing so. However, we saw no evidence that this occurred; the OJP executive director told us she was unaware that OJP's Hometown Heroes payments were made as advances until we told her this in May 2023.

that agency and the evaluation of grantee's recent financial statements as required by [state grant policy].<sup>35</sup>

In our opinion, MnFIRE does not meet these criteria. DPS should ensure all Hometown Heroes grant payments going forward are made as reimbursements.

## Monitoring

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State policy establishes standards for how state agencies should monitor the grants they oversee. Specifically, state policy requires agencies to conduct (1) at least annual monitoring visits for grants exceeding \$250,000 and (2) "financial reconciliation of grantees' expenditures" at least once prior to making final payment on a grant exceeding \$50,000.<sup>36</sup> The policy defines "financial reconciliation" as "reconciling a grantee's request for payment for a given period with supporting documentation for that request, such as purchase orders, receipts and payroll records and occurs before final payment is made."<sup>37</sup> (Reconciliations can also be called "desk reviews" or "desk audits.")

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### **DPS did not initiate timely monitoring visits or financial reconciliations of the Hometown Heroes grant.**

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When the Hometown Heroes grant transferred from OJP to SFMD in mid-2022, DPS's agency-wide grants coordinator helped with this process. She told us she was surprised to learn during this transition that staff overseeing the grant had not conducted financial reconciliations before authorizing payments to MnFIRE. The agency's grants coordinator said DPS policy did not require monthly reconciliations, but—as noted earlier in this chapter—periodic reconciliations would have been prudent given the risk level of the grantee.

Multiple staff told us that OJP did not conduct a grantee monitoring visit during the time that it oversaw the Hometown Heroes grant, nor did it reconcile the payments to supporting documentation before closing its oversight of the grant in mid-2022. In addition, we saw no evidence in DPS records of such oversight.

The absence of site visits and financial reconciliations continued into the period when SFMD oversaw the grant. In May 2023, a person who was then assisting with management of the Hometown Heroes grant for SFMD told us she was not aware of any DPS site visits or financial reconciliations that had been conducted up to that time throughout the duration of the grant.

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<sup>35</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1.

<sup>36</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1. The policy recommends that agency monitoring visits be done in person whenever possible, although they may be conducted by telephone.

<sup>37</sup> *Ibid.*, 2.

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## RECOMMENDATION

### **DPS should ensure that it conducts monitoring visits and financial reconciliations in accordance with state grant policy.**

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In addition to the policy requirements related to grant monitoring, DPS's agency-wide grants coordinator told us that it would have been good practice for DPS to conduct close monitoring of the Hometown Heroes grant. She said the score assigned to the grantee in the pre-award risk assessment should have prompted the DPS staff who were overseeing the grant to conduct frequent monitoring of the grantee—such as site visits, phone meetings, and reconciliations of the grantee's invoices and payment requests. In addition, she said OJP should have conducted a financial reconciliation before ending its oversight of the grant in 2022 (when the grant transferred to SFMD).

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## Progress Reports

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Grant progress reports provide a way for state agencies to monitor progress on state grants and evaluate the outcomes of grant programs. For example, grant progress reports may include data demonstrating a grantee's activities and progress towards achieving their goals and objectives.

State grant policy says that an agency's authorized representative for a grant shall review grantee reimbursement requests against the grant budget, grant expenditures-to-date, and the most recent grant progress report before approving payments.<sup>38</sup> Further, consistent with its grant program guidelines, OJP required MnFIRE to submit quarterly reports on progress toward grant goals and objectives.

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### **For one year, DPS did not provide a mechanism for MnFIRE to submit progress reports on the Hometown Heroes program, and it approved payments despite not having reviewed the reports, contrary to state grant policy.**

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MnFIRE submitted Hometown Heroes progress reports to DPS for activities that occurred between August 1, 2021, and March 30, 2022. The brief reports discussed recent actions by MnFIRE to implement the program. However, as of April 2023, DPS had no progress reports on file for the program subsequent to the period ending in March 2022. Nevertheless, DPS approved \$3.4 million in payments to MnFIRE between April 1, 2022, and April 1, 2023.

The long absence of progress reports on the program resulted from a lack of timely actions by DPS. A DPS staff person who works with the department's online grants management system told us that, when the grant transferred to SFMD, she wanted to change the existing progress report format to prevent subsequent modifications of

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<sup>38</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1.

submitted reports.<sup>39</sup> However, she said, this required time to develop a web-based application and then test it for coding or processing problems. While the new progress report form was being developed, the previous progress report template was unavailable—meaning that MnFIRE could not use it to submit progress reports. The DPS staff person told us that MnFIRE would be required to submit the missing quarterly progress reports once the new report template was finished. Starting in April 2023, the online template was available to the grantee in DPS’s online grants system.

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## RECOMMENDATION

**DPS should ensure that staff review grant progress reports before approving payments, in accordance with state grant policy.**

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Although the staff person’s desire to improve the progress report format was reasonable, DPS should have given MnFIRE a way to submit progress reports during the time that the new form was being developed. Because of the delay, DPS reviewed and approved MnFIRE’s payment requests over a period of many months without being able to review the grantee’s related progress reports. This was inconsistent with state policy.

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## Grant Closeout

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State policy says that a grant applicant’s past performance should be considered before it receives additional grants.<sup>40</sup> The policy requires state agencies to create processes for “grant closeout evaluations,” including for grants given to legislatively named grantees.<sup>41</sup> Among other things, the evaluations must address the “status of monitoring and financial reconciliation results,” “significant changes that arose during the grant award period,” and the “status of any financial/audit concerns involving the grantee.”<sup>42</sup>

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**The Office of Justice Programs completed a closeout evaluation of the Hometown Heroes grant when the grant transferred to the State Fire Marshal Division, but the evaluation did not discuss some key issues.**

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OJP’s responsibility for the Hometown Heroes grant ended in May 2022. Shortly after, the grant was transferred to SFMD, and SFMD entered into a new grant contract with MnFIRE. While OJP completed a closeout evaluation of the Hometown Heroes grant, it missed an opportunity to convey important information to SFMD. Specifically,

- The evaluation did not disclose that OJP had not conducted a financial reconciliation for this grantee.

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<sup>39</sup> When the grant was administered by OJP, the grantee uploaded progress reports to DPS in the form of Microsoft Word documents. The individual who initiated a change in this form helped to manage the Hometown Heroes grant after it transferred to SFMD.

<sup>40</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-13, *Policy on Grant Closeout Evaluation*, revised December 2, 2016, 1.

<sup>41</sup> *Ibid.*

<sup>42</sup> *Ibid.*

- The evaluation was blank in sections where OJP could have stated “concerns.” However, by the end of Fiscal Year 2022, some DPS officials knew that the grant had been paid as an advance, and not through reimbursement, and that documentation to support payments had not been collected by OJP.<sup>43</sup>
- The evaluation said grant outcomes had been met, even though the grantee was still in the process of implementing key parts of the program at the time the grant transferred to SFMD.

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## RECOMMENDATION

### **DPS should ensure that grant closeout evaluations include all elements required by state grant policy.**

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Grant closeout evaluations provide an important way for state agencies to document grantees' past performance. Not only are agencies required to consider a grant applicant's performance on prior grants before making additional grants, they are also required to share grant closeout evaluations with other state agencies. As a result, DPS should ensure its grant closeout evaluations are sufficiently thorough to mitigate possible risks to taxpayer funds.

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<sup>43</sup> The executive director of OJP told us she was not aware that OJP made advance payments, rather than reimbursements, to the grantee, so it is possible that OJP staff who completed or reviewed the closeout evaluation were unaware of this issue.



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# Chapter 2: MnFIRE’s Compliance with Procurement Requirements

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When the Legislature established the Hometown Heroes Assistance Program in statute in 2021, it designated that the Minnesota Firefighter Initiative—commonly known as MnFIRE—would receive a state grant to implement the program. MnFIRE is a private, nonprofit organization established in 2016. MnFIRE has no paid employees. To implement the Hometown Heroes program, MnFIRE therefore has relied largely on procured services.

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**MnFIRE’s procurements did not comply with legal requirements we reviewed, and the Department of Public Safety did not monitor and enforce MnFIRE’s compliance with these requirements.**

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As we discuss in this chapter, there is shared responsibility for MnFIRE’s failure to comply with the procurement-related terms and conditions of the Hometown Heroes grant agreement. On the one hand, MnFIRE should have been aware of these contract requirements and followed them. On the other hand, the Department of Public Safety (DPS) should have identified MnFIRE’s failure to follow proper procurement practices and taken steps to ensure compliance. However, as we stated in Chapter 1, DPS did not exercise adequate oversight of the Hometown Heroes grant, particularly in the grant’s first year. At the end of this chapter, we provide recommendations to both MnFIRE and DPS to ensure compliance with legal requirements.

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## Requirements for Vendor Contracts

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MnFIRE was required by its initial grant agreement with DPS to comply with all provisions of the DPS Office of Justice Programs (OJP) grant manual.<sup>1</sup> According to this manual, grantees that use a vendor (either an individual contractor or organization) must enter into a written agreement or contract with the vendor.<sup>2</sup>

After the Hometown Heroes grant was transferred to DPS’s State Fire Marshal Division (SFMD) in 2022, DPS entered into a new grant agreement with MnFIRE. This agreement implicitly requires MnFIRE to enter into contracts with its vendors.<sup>3</sup>

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<sup>1</sup> The initial Hometown Heroes grant agreement said the grantee was required to comply with all requirements referenced in the “State Miscellaneous Funding 2022 Guidelines and Application.” According to these guidelines, “The grantee shall comply with all provisions of the Minnesota OJP Grant Manual” (Department of Public Safety, Office of Justice Programs, *State Miscellaneous Grant 2022, Grant Program Guidelines* (St. Paul), 1).

<sup>2</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 28.

<sup>3</sup> The contract between DPS and MnFIRE does not explicitly state that MnFIRE must enter into written contracts with its vendors. However, the contract’s terms and conditions include several statements implying that MnFIRE should have contracts with its vendors; for example, one term and condition is that “The grantee must maintain support documentation of the purchasing and/or bidding process *utilized to contract services...*” [emphasis added] (Department of Public Safety, *Terms and Conditions for Grantees that are Non-State Agencies* (St. Paul, revised April 2021), 3).

We asked MnFIRE to provide us with information on all of its contracts or purchases of \$10,000 or more related to the Hometown Heroes grant—including copies of contracts or purchase agreements, documentation of the purchasing process, and information on the amounts expended for these purchases. There were 17 vendors from which MnFIRE had purchased at least \$10,000 of services, as of late February 2023.

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**MnFIRE procured some services related to the Hometown Heroes grant without entering into written contracts.**

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We identified four vendors that MnFIRE paid at least \$10,000 from July 2021 through February 2023 for which MnFIRE did not have a written contract or agreement.<sup>4</sup> For another two vendors, MnFIRE did not enter into a contract with the vendor until after it requested payment from DPS at least once for the vendors' services.

Without contracts, it is difficult for us to precisely characterize the nature of the services each of these four vendors provided. However, two of the vendors appear to have provided professional or technical services, and two others provided services related to mailing or printing.<sup>5</sup>

In addition to having written contracts, MnFIRE's contracts also needed OJP approval. The OJP grant manual says:

All contracts of \$5,000 or more need prior approval from OJP. It is suggested that all contracts be reviewed by OJP prior to incurring costs; otherwise there is the risk that the cost will be found unallowable.<sup>6</sup>

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**Contrary to agency requirements, MnFIRE did not obtain approval from DPS before entering into contracts.**

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A MnFIRE official told us that they did not obtain prior approval from DPS officials (including OJP) for any of the contracts they entered into under the Hometown Heroes grant. They told us they were not aware of the requirement for DPS approval until we asked them questions about it. A DPS official told us that as recently as early 2023, MnFIRE entered into contracts for the Hometown Heroes grant without DPS staff knowledge.

Furthermore, MnFIRE entered into some of its Hometown Heroes contracts before DPS had established key internal controls for the grant. Two MnFIRE contracts commenced

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<sup>4</sup> In March 2023, MnFIRE entered into a contract with one of the vendors with which it had previously procured services without a contract, and a MnFIRE official told us they are working on a contract with a second.

<sup>5</sup> It is also worth noting that, of the 13 cases where MnFIRE established written contracts with its vendors, three of the contracts we obtained from MnFIRE lacked a signature by one of the parties involved. Signatures are not necessarily required to create an enforceable contract, but they provide evidence that the affected parties agree to the terms of the contract. A DPS official told us that she viewed unsigned contracts to be "unexecuted."

<sup>6</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 28.

on October 1, 2021, and another was signed on October 26, 2021.<sup>7</sup> These contracts predated some or all of the following milestones:

- (1) October 13, 2021, when MnFIRE submitted its initial workplan for the grant.<sup>8</sup>
- (2) October 15, 2021, when OJP designated a grant manager for the Hometown Heroes grant.
- (3) November 5, 2021, when OJP and MnFIRE entered into the Hometown Heroes grant agreement (which included the initial grant budget approved by OJP).
- (4) November 5, 2021, when DPS encumbered funds for the grant.<sup>9</sup>

Thus, besides the fact that MnFIRE's October 2021 contracts (like its other contracts) did not have DPS approval, they also started before DPS had established key mechanisms for overseeing grant activities and expenditures.

## Requirements for Soliciting and Selecting Vendors

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The “terms and conditions” of the Hometown Heroes grant contained several provisions that placed restrictions on the grantee's selection of vendors.<sup>10</sup> Specifically, these provisions required the grantee to:

- Use a formal notification and bidding process for any services or materials expected to cost at least \$100,000.
- Make a competitive award based on a minimum of three verbal quotes or bids for services or materials expected to cost between \$25,000 and \$99,999.
- Make a competitive award based on a minimum of two verbal quotes or bids, or award the contract to a “targeted vendor,” for services or materials expected to cost between \$10,000 and \$24,999.<sup>11</sup>

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<sup>7</sup> MnFIRE's contracts with Blue Peak Consulting, LLC, and Coscarelli Consulting, LLC, started October 1, 2021, and it signed a contract with Michael Scott, Consultant, on October 26, 2021.

<sup>8</sup> In DPS's grant tracking system, we did not see a definitive indication of the date when DPS approved this workplan. However, a MnFIRE official told us that DPS approved this workplan in mid-October 2021, which is consistent with the reference to October 13, 2021, in the document title.

<sup>9</sup> State policy says: “A grant agreement with a specifically named, legislatively appropriated, noncompetitive grant recipient may 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 per [Minnesota Statutes] 16B.98, [s]ubd. 11” [emphasis added] (Minnesota Department of Administration and Minnesota Management and Budget, *Encumbrance and Contract Execution Policy 21-01*, revised July 1, 2021). However, MnFIRE entered into some contracts with vendors before a grant budget and workplan had been approved.

<sup>10</sup> Grant Contract Agreement between the Minnesota Department of Public Safety, Office of Justice Programs, and the Minnesota Firefighter Initiative, November 5, 2021, “Terms and Conditions for Grantees that are Non-State Agencies,” 2.

<sup>11</sup> Under *Minnesota Statutes* 2022, 16C.16, subd. 5(a), the Commissioner of Administration is required to periodically designate—for state purchasing purposes—“targeted group businesses,” which include businesses that are majority owned and operated by women, persons with a substantial physical disability, or specific minorities.

In addition, the terms and conditions of MnFIRE's grant agreement said:

The grantee must maintain support documentation of the purchasing and/or bidding process utilized to contract services in their financial records, including support documentation justifying a single/sole source bid, if applicable.<sup>12</sup>

One OJP guidance document indicates that grantees should document: (1) a description of the item or service costing \$10,000 or more, (2) documentation of each bid obtained (vendor name and bid amount), (3) which bid was selected, (4) reasons for selecting a bidder other than the low bidder, and (5) an explanation in cases where the grantee was required to seek multiple bids but did not.<sup>13</sup>

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**MnFIRE entered into multiple contracts without following required solicitation procedures or adequately documenting its procurement process.**

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We asked MnFIRE for documentation of the processes it used to solicit and select vendors. A MnFIRE official told us that it has not used a formal request-for-proposal process to identify possible vendors. MnFIRE provided us with documentation showing that it considered the merits of multiple vendors for its two highest-paid vendors.<sup>14</sup> For four other contracts, MnFIRE staff told us they considered at least two vendors before deciding which vendor to select. But, for most contracts, MnFIRE did not consider multiple vendors.

MnFIRE provided limited documentation to support how it selected its contractors. Except for its two highest-paid vendors, MnFIRE did not provide us with any supporting documents that were prepared prior to our information requests. In response to our information requests, MnFIRE provided us with brief statements about some of its contract decisions. For example, in one case where MnFIRE considered two vendors, MnFIRE said that it selected a vendor “because of functionality, compatibility with deployments already implemented in Minnesota (St. Paul Police Department) and price.”<sup>15</sup>

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<sup>12</sup> Grant Contract Agreement between the Minnesota Department of Public Safety, Office of Justice Programs, and the Minnesota Firefighter Initiative, November 5, 2021, “Terms and Conditions for Grantees that are Non-State Agencies,” 3. At the outset of the grant, a MnFIRE representative attested to having read the terms and conditions, and agreed to provide required documentation.

<sup>13</sup> Minnesota Office of Justice Programs, “Documentation of Bidding Process—Non Government Grantees,” <https://dps.mn.gov/divisions/ojp/grants/Documents/Documentation%20of%20Bidding%20Process.docx>, accessed May 5, 2023.

<sup>14</sup> MnFIRE did not identify potential vendors for these two contracts (awarded to Securian Financial and Optum) by issuing its own requests-for-proposals (RFPs). Rather, MnFIRE used the services of a private firm (Aon) to identify and evaluate potential vendors. Aon said it issued an RFP to solicit vendors for the contract that MnFIRE eventually awarded to Securian, but MnFIRE did not provide us with a copy despite repeated requests to receive any RFPs used to solicit vendors. Most of the costs of Aon's work for MnFIRE were covered by commissions paid by Securian; MnFIRE told us its direct payments to Aon have totaled about \$800 a year.

<sup>15</sup> Wayne Kewitsch, Executive Director, Minnesota Firefighter Initiative, “MnFIRE Vendor Overview,” attachment to e-mail to Joel Alter, Office of the Legislative Auditor, February 27, 2023.

A MnFIRE official told us that it mostly used vendors for the Hometown Heroes program that it had used previously:

The majority of the vendors were in place prior to the passage of the [Hometown Heroes Assistance Program]. As MnFIRE had existing relationships with these vendors, [and they] had extensive knowledge of MnFIRE [and] its mission and providing efforts to its success, they were retained to be utilized in the implementation of the [Hometown Heroes Assistance Program].<sup>16</sup>

In addition, MnFIRE did not have documents that explained why, in certain cases, it considered only one vendor to provide a given service. This violated DPS's requirement for grantees to justify single- or sole-source procurements.

When a grantee fails to use competitive processes to select its vendors, it can contribute to appearances of favoritism.<sup>17</sup> Even if MnFIRE is satisfied with the performance of a vendor it has used previously, it must—when required by its grant agreement—consider proposals from other vendors.

## Other Procurement Issues

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Well-written contracts allow all parties involved to understand what is expected in terms of deliverables and payment during an exchange of goods or services, as well as the consequences if those expectations are not met.

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### **MnFIRE's contracts did not comply with some DPS requirements for grantee contracts.**

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As discussed previously, MnFIRE was required by its initial grant agreement with DPS to comply with all provisions of the OJP grant manual. However, MnFIRE did not comply with some key requirements in addition to those discussed in the preceding sections:

- **Contract end dates.** According to OJP's grant manual, grantees are required to specify beginning and ending dates for their contracts.<sup>18</sup> In the 13 cases where MnFIRE established written contracts with its vendors, we identified six instances in which the contracts did not establish an end date. For example, a clause in several of the contracts said: "The term of this Agreement shall be

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<sup>16</sup> Wayne Kewitsch, Executive Director, Minnesota Firefighter Initiative, "MnFIRE Vendor Overview," attachment to e-mail to Joel Alter, Office of the Legislative Auditor, February 27, 2023. For example, MnFIRE told us that it selected its two highest-paid vendors (Securian Financial and Optum) before the Hometown Heroes legislation passed.

<sup>17</sup> To our knowledge, MnFIRE's relationships with its vendors did not violate the state's code of ethics or conflict of interest policies. MnFIRE officials told us they are not aware of any conflicts of interest that have been disclosed by its officials, and they told us they did not benefit personally from any of the vendor relationships.

<sup>18</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 28.

ongoing and shall continue until terminated by either party for any reason upon six (6) months' written notice to the other party, or until otherwise terminated...."<sup>19</sup>

- **Maximum dollar amounts.** The OJP grant manual requires grantees to establish the maximum dollar amount that can be spent by the grantee via the contract.<sup>20</sup> In the 13 cases where MnFIRE established written contracts with its vendors, we identified 12 instances in which the contracts did not establish an overall maximum amount for the contract. Many of the contracts specified a base compensation rate, but then said that MnFIRE could approve additional compensation amounts if there were changes in the scope of work.
- **Cap on hourly rates for consultants.** The OJP grant manual says that the maximum hourly compensation rate for a grantee's consultants is \$81.25 per hour, except in cases preapproved by the grant manager.<sup>21</sup> We identified two MnFIRE contracts in which MnFIRE agreed to pay its consultants \$100 an hour. As indicated earlier, MnFIRE has not submitted contracts for DPS's preapproval, so there was no authorization for payment of these rates.

## Recommendations

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### RECOMMENDATIONS

- **MnFIRE should comply with state grant requirements related to procurement.**
  - **DPS should ensure that grantees properly understand procurement requirements, and it should monitor and enforce compliance with those requirements.**
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In our view, both MnFIRE and DPS share responsibility for MnFIRE's noncompliance with procurement requirements. MnFIRE signed the Hometown Heroes grant agreement, which required compliance with the grant's terms and conditions, as well as with other DPS requirements. MnFIRE acknowledged that they read the grant terms and conditions. MnFIRE should have procured vendors in a manner consistent with grant requirements.

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<sup>19</sup> As a point of comparison, it is worth noting that *Minnesota Statutes 2022*, 16C.06, subd. 3b(b), limits the initial term of state agencies' contracts for professional or technical services to two years, unless the Commissioner of Administration authorizes longer periods. With amendments, a contract is limited to five years unless otherwise provided for by law. This law applies only to state agencies' contracts, not to contracts entered by grantees.

<sup>20</sup> Minnesota Department of Public Safety, Office of Justice Programs, *Grant Manual* (St. Paul, May 2021), 29.

<sup>21</sup> *Ibid.*, 28.

However, DPS also contributed to MnFIRE's compliance problems. In the years prior to the Hometown Heroes grant (when DPS allocated funds to MnFIRE from the Fire Safety Account), DPS did not require MnFIRE to follow relevant procurement requirements—because DPS did not treat the Fire Safety Account allocations to MnFIRE as grants, as we discuss further in Chapter 5. When the Hometown Heroes grant began, the same DPS staff person who oversaw MnFIRE's payments from the Fire Safety Account oversaw the Hometown Heroes grant. This person told us he thought the Hometown Heroes grant would operate in the same manner as the Fire Safety Account allocations, and he said he did not think that scrutinizing MnFIRE's procurement process was part of his grant management role.



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# Chapter 3: Status of Hometown Heroes Assistance Program Implementation

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## Authorized Uses of Hometown Heroes Funds

- To establish and fund a critical illness monetary support program for firefighters diagnosed with critical illnesses on or after August 1, 2021.
- To develop a program to address firefighters' emotional trauma, with up to five psychotherapy sessions per firefighter per year provided by mental health professionals, and with additional sessions offered to firefighters who need them.
- To develop and provide all firefighters in the state with at least two hours of training on critical illnesses, such as heart disease, cancer, and emotional trauma, along with strategies for limiting the occupational risks of these illnesses, among other things.

— *Minnesota Statutes 2022, 299A.477, subd. 2*

The board president for the Minnesota Firefighter Initiative (MnFIRE) told us that he and two others started the organization after going to many hospital visits and funerals for firefighting colleagues due to cancer, cardiac issues, and emotional trauma. He said, “We started MnFIRE because we know in the fire service [that] what’s predictable is preventable.”<sup>1</sup> MnFIRE advocated for passage of the Hometown Heroes Assistance Program to help address firefighter health issues.

The statutes governing the Hometown Heroes Assistance Program do not establish explicit goals for reducing the incidence of critical illnesses among firefighters. Rather, the statutes require MnFIRE to educate firefighters and provide assistance to those firefighters afflicted with certain health problems and illnesses. The law establishes several required uses of the Hometown Heroes grant funds, including those shown in the box to the left.

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## MnFIRE has implemented many of the key components of the Hometown Heroes Assistance Program required by law.

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State law requires MnFIRE—as the recipient of the Hometown Heroes grant—to establish critical illness coverage for firefighters.<sup>2</sup> The law defines “critical illness” as “cardiac disease and cancer as well as other illnesses covered by a policy of insurance issued by an insurer in compliance with [*Minnesota Statutes*] chapter 60A.”<sup>3</sup> MnFIRE purchased a policy that provides the coverage to firefighters shown in Exhibit 2.

According to MnFIRE’s agreement with the insurer, the insurer was required to (1) distribute claims forms to firefighters, (2) determine claimant eligibility for benefits, and (3) adjudicate and pay claims to eligible firefighters. The agreement set the maximum payment for a firefighter’s critical illness at \$20,000, and it specified which illnesses qualified for payments equal to or less than this maximum. For example, certain types of cancer qualified for payments of \$20,000, while those designated as

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<sup>1</sup> George Esbensen, President, Minnesota Firefighter Initiative, interview with Katherine Theisen and Joel Alter, Office of the Legislative Auditor, April 4, 2023.

<sup>2</sup> *Minnesota Statutes 2022, 299A.477, subds. 2(1) and 3.*

<sup>3</sup> *Ibid.*, subd. 1(b).

“partial benefit cancers” qualified for payments of \$5,000. As of March 2023, a total of 106 claims had been paid to firefighters under this policy, with claims payments totaling \$1,456,250 (an average of \$13,738 per claim).

## Exhibit 2

### Conditions Covered by the Hometown Heroes Assistance Program’s Critical Illness Policy

Critical Illness or Condition	Initial Occurrence Benefit	Recurrence Benefit
Alzheimer’s Disease	\$ 5,000	–
Amyotrophic Lateral Sclerosis (ALS)	5,000	–
Benign Brain Tumor	20,000	\$20,000
Blindness	20,000	–
Coma	5,000	5,000
Coronary Artery Disease Requiring Surgery	5,000	5,000
COVID-19 Disease of Specified Severity	5,000	–
“Full Benefit” Cancer	20,000	20,000
Heart Attack	20,000	20,000
Kidney Failure	20,000	–
Loss of Hearing	20,000	–
Loss of Speech	20,000	–
Major Organ Failure	20,000	20,000
Multiple Sclerosis	5,000	–
Paralysis	20,000	–
Parkinson’s Disease	5,000	–
“Partial Benefit” Cancer	5,000	5,000
Post-Traumatic Stress Disorder	5,000	–
Severe Burns	20,000	20,000
Skin Cancer	250	–
Stroke	20,000	20,000
Sudden Cardiac Arrest	20,000	20,000

Note: The policy purchased by MnFIRE contains definitions of these illnesses and conditions, and it specifies circumstances in which eligible individuals qualify for payments shown.

Source: Administrative Services Only Agreement between Securian Life Insurance Company (“Securian Financial”) and Minnesota Firefighter Initiative, signed November 17, 2021, and with an effective date of August 1, 2021.

The Hometown Heroes law also requires MnFIRE to develop a program to address emotional trauma, offering firefighters in Minnesota up to five psychotherapy sessions per year, provided by mental health professionals.<sup>4</sup> In response to this requirement, MnFIRE entered into an agreement with a behavioral health care company to establish a member assistance program to help eligible firefighters and their dependents “in finding solutions for personal and workplace problems.”<sup>5</sup> MnFIRE pays the health care company a monthly rate based on an enrolled population of 20,000 individuals

<sup>4</sup> *Minnesota Statutes* 2022, 299A.477, subd. 2(2).

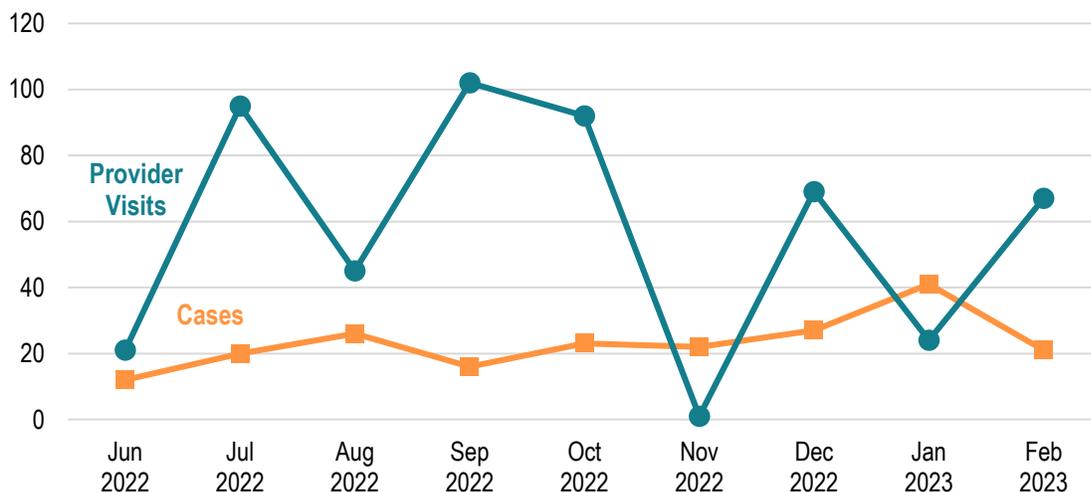
<sup>5</sup> Administrative Services Agreement between United Behavioral Health (“Optum”) and Minnesota Firefighter Initiative, signed November 30, 2021, and with an effective date of October 1, 2021. According to MnFIRE’s website, this program offers confidential support, guidance, and mental health resources over the phone or online at any time. The program “targets emotional health and stress unique to the fire service through connection to mental health care and peer support” (Minnesota Firefighter Initiative, *Hometown Heroes Assistance Program*, <https://mnfireinitiative.com/hhap/>, accessed January 4, 2023).

statewide. As of early 2023, more than 800 individual behavioral health service providers were authorized to offer services through this program.<sup>6</sup>

While MnFIRE has established a member assistance program, the number of participants in the program has been inconsistent over time. Exhibit 3 shows the number of member assistance program “cases” and “provider visits” in June 2022 through February 2023, according to MnFIRE’s internal reports.<sup>7</sup> A MnFIRE official suggested various possible explanations for the variability in the use of this program: (1) seasonal differences in individuals’ mental health; (2) possible lack of awareness of the available services by some firefighters; (3) stigmas individuals may feel about mental health issues; and (4) the reluctance of some firefighters—who see themselves as “helpers”—to seek help for themselves. Regardless of the explanation, the variability in service usage represents an issue that merits MnFIRE’s continued attention going forward.

Further, the law requires MnFIRE to “coordinate additional psychotherapy sessions to firefighters who need them.”<sup>8</sup> A MnFIRE official told us that a nonprofit organization that was helping MnFIRE with this task subsequently ceased its operations in

**Exhibit 3**  
**MnFIRE’s Member Assistance Program, Number of Cases and Provider Visits, June 2022 Through February 2023**



Notes: According to MnFIRE, a “case” is defined as an instance in which an individual (1) called a member assistance program assistance line and spoke with a clinician or (2) went directly to a provider for services. MnFIRE said that a “provider visit” is defined as a session with a licensed mental health professional.

Source: Minnesota Firefighter Initiative.

<sup>6</sup> According to MnFIRE, the behavioral health services company contracts with mental health providers who are licensed, have a minimum of a master’s degree, attest that they have experience working with first responders, and are qualified to perform two modalities for treating trauma.

<sup>7</sup> According to MnFIRE, a “case” is defined as an instance in which an individual (1) called a member assistance program assistance line and spoke with a clinician or (2) went directly to a provider for services. MnFIRE said that a “provider visit” is defined as a session with a licensed mental health professional.

<sup>8</sup> *Minnesota Statutes* 2022, 299A.477, subd. 2(3).

Minnesota. MnFIRE is currently using another of its vendors to coordinate additional behavioral health services needed by firefighters, but MnFIRE said this has been only partly implemented.

Finally, the law requires MnFIRE to develop training for firefighters throughout Minnesota related to critical illnesses and emotional trauma.<sup>9</sup> The training must be provided by firefighters who have attended a course to prepare them to serve as trainers. MnFIRE has provided training to a large number of fire departments around Minnesota—both before and after the Legislature awarded MnFIRE the Hometown Heroes grant in 2021. Consistent with statutes, the topics of MnFIRE’s training programs in fiscal years 2022 and 2023 included cancer, cardiac health, and emotional trauma, among others.

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**Despite offering numerous training sessions, only a small portion of Minnesota firefighters have attended MnFIRE’s training related to critical illnesses and emotional trauma.**

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State law says that MnFIRE shall

annually provide to all firefighters in the state at least two hours of training on critical illnesses, such as cancer and heart disease, and emotional trauma as causes of illness and death for firefighters; steps and best practices for firefighters to limit the occupational risks of cancer, heart disease, and emotional trauma; provide evidence-based suicide prevention strategies; and ways for firefighters to address occupation-related emotional trauma and promote emotional wellness.<sup>10</sup>

While the program has trained a large number of firefighters, only a fraction of the state’s nearly 20,000 firefighters have received annual training as part of the Hometown Heroes program. Based on MnFIRE’s records, we estimate that it trained no more than 12 percent of the state’s firefighters in Fiscal Year 2022, and no more than 9 percent of the state’s firefighters during the first nine months of Fiscal Year 2023.

Further, MnFIRE’s training did not reach firefighters at many local fire departments. Firefighters at less than 15 percent of the state’s more than 770 fire departments received MnFIRE’s training in Fiscal Year 2022, and firefighters at less than 10 percent of departments received training through the first nine months of Fiscal Year 2023.

A MnFIRE official told us that because the law does not require fire departments to host MnFIRE’s trainings, MnFIRE is working to find new ways to reach the state’s firefighters. For example, MnFIRE is working on an online platform that firefighters could use to sign up for training on their own, separate from their fire department.

The Hometown Heroes Assistance Program is still a new program, and it will take time for the program to reach its full effectiveness. Nevertheless, we encourage MnFIRE to continue to explore new strategies to provide its training to all firefighters in Minnesota.

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<sup>9</sup> *Minnesota Statutes* 2022, 299A.477, subd. 2(4).

<sup>10</sup> *Ibid.*

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# Chapter 4: Ethical Conduct Issues

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When we examined the Hometown Heroes Assistance Program, we considered whether there was evidence that Minnesota’s ethical conduct laws or policies had been breached by individuals who played a role in program delivery or oversight. As we discuss below, we have concerns about one state employee’s relationship with the Hometown Heroes grant recipient (Minnesota Firefighter Initiative, commonly known as MnFIRE).

State law establishes a code of ethics for employees in the executive branch of state government.<sup>1</sup> Aside from this code, the law has several other provisions that address employee conflicts of interest.<sup>2</sup> In addition, Minnesota Management and Budget has a code of ethical conduct that applies to all executive branch employees.<sup>3</sup>

Amanda Swenson has worked for the State Fire Marshal Division (SFMD) since 2014. She was named the Chief Deputy State Fire Marshal in June 2020, serving under State Fire Marshal James Smith. After Smith retired, Swenson was appointed to serve as the Interim State Fire Marshal in April 2023, until she returned to the Chief Deputy State Fire Marshal position in August 2023.

In an interview with Swenson in April 2023, she told us she has served as a paid trainer for MnFIRE on multiple occasions. We subsequently obtained information from MnFIRE about the extent and nature of the training she provided, as well as her compensation.

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**Chief Deputy State Fire Marshal Swenson violated state ethical conduct policies by receiving payments (1) from a state grantee for which she had an oversight responsibility, and (2) for providing training related to her state employment.**

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Swenson has served as a MnFIRE training instructor many times. She and MnFIRE entered into a written agreement several years ago that addressed compensation, methods of instruction, and other topics.<sup>4</sup> Swenson taught courses related to health awareness, emotional trauma, cancer, and cardiac health. She told us she did this work on her own time—not as part of her state-paid workweek—and without using a state vehicle to travel to the training sites.

Between December 2018 and February 2023, MnFIRE paid Swenson for 52 two-hour courses she taught to firefighters in individual fire departments. According to MnFIRE records, MnFIRE paid Swenson a total of \$11,429 between December 2018 and February 2023 for the hours she spent providing training and traveling to and from

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<sup>1</sup> *Minnesota Statutes* 2022, 43A.38.

<sup>2</sup> *Minnesota Statutes* 2022, 43A.39, 16C.04, and 10A.07.

<sup>3</sup> Minnesota Management and Budget, *Code of Ethical Conduct*, Human Relations/Labor Relations Policy #1445, effective January 1, 2022.

<sup>4</sup> The agreement—which has established the compensation for all of the training Swenson provided to MnFIRE—was signed in February 2019.

training sites.<sup>5</sup> She received \$50 to \$70 per hour for her training and travel time.<sup>6</sup> Additionally, she received several gifts from MnFIRE during the same time period, including a MnFIRE-branded tumbler, vest, jacket, and plaque.<sup>7</sup>

In our view, Chief Deputy State Fire Marshal Swenson violated state ethical conduct policies for several reasons:

- **Swenson at least indirectly oversaw DPS grants to MnFIRE.** The executive branch’s code of ethical conduct gives the following as an example of a conflict of interest:

Accepting or soliciting employment, a contractual relationship, or a fiduciary responsibility with any person or public or private entity that is directly or indirectly subject to control, inspection, review, audit, or enforcement by the employee in their state position.<sup>8</sup>

Swenson was the Chief Deputy State Fire Marshal for most of the occasions between 2018 and 2023 when she was paid by MnFIRE to provide training, and SFMD oversaw grants of state funds to MnFIRE throughout the entire period when she provided training for MnFIRE.<sup>9</sup> We think it is reasonable to conclude that Swenson—in her role as second in command in SFMD from 2020 to 2023—was at least indirectly in a position to oversee the MnFIRE grants at the time MnFIRE paid her to provide training. For example, she signed the Hometown Heroes grant agreement and a grant agreement amendment in 2022 on behalf of SFMD. Also, she was, by the accounts of several people, a part of internal DPS discussions related to the Hometown Heroes grant.

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<sup>5</sup> This total also includes an instance when Swenson was paid \$60 by MnFIRE to get trained to serve as a MnFIRE trainer.

<sup>6</sup> Swenson received \$50 an hour when she started in 2018. The rate increased several times subsequently, and she received \$70 an hour starting in February 2021. MnFIRE told us she was paid using the same payment schedule it uses for all of its trainers; the rates MnFIRE pays vary depending on the number of MnFIRE classes the trainers have taught. MnFIRE told us that Swenson’s compensation was limited to the time she spent providing instruction and traveling to and from the training site.

<sup>7</sup> MnFIRE told us that the total value of these gifts was \$223. MnFIRE also provided Swenson with two \$200 bonuses. *Minnesota Statutes* 2022, 43A.38, subs. 2(a) and 2(b), excludes from the definition of gifts “gifts of nominal value” and “plaques or similar mementos recognizing individual services in a field of specialty or to a charitable cause.” The gifts referenced in this sentence do not meet these exceptions.

<sup>8</sup> Minnesota Management and Budget, *Code of Ethical Conduct*, Human Relations/Labor Relations Policy #1445, 5, effective January 1, 2022. The code of ethics in place prior to this policy used similar language to give an example of a conflict: “Accepting employment or a contractual relationship that will affect the employee’s independence of judgment in the exercise of official duties, for example, accepting employment with a business that is subject to the direct or indirect control, inspection, review, audit or enforcement by the employee” (Minnesota Management and Budget, *Code of Ethics*, Human Relations/Labor Relations Policy #1417, 2, revised March 10, 2015).

<sup>9</sup> From fiscal years 2019 through 2022, MnFIRE received allocations from the Fire Safety Account that were overseen by the executive director of the Minnesota Board of Firefighter Education and Training, an employee of SFMD who reports to the State Fire Marshal. Even during the period when the Office of Justice Programs administered the Hometown Heroes grant (July 2021 to early May 2022), MnFIRE had a different grant from the Fire Safety Account that was overseen by SFMD. Starting in May 2022, SFMD directly oversaw the Hometown Heroes grant to MnFIRE.

- **Swenson’s relationship with MnFIRE created, at a minimum, the appearance of a lack of independence.** State law provides that a state employee’s “acceptance of other employment or contractual relationship that will affect the employee’s independence of judgment in the exercise of official duties” constitutes a conflict of interest.<sup>10</sup> As stated above, Swenson’s acceptance of a paid training position from a SFMD grantee created the possibility that she—in her role as Chief Deputy State Fire Marshal—might not act with independence in matters related to the grantee.
- **Some of the training Swenson provided occurred during regular state work hours.** Although she provided most of the training sessions in the evenings (6:00 p.m. or later), there were 12 days when Swenson provided two-hour MnFIRE training sessions during what might be considered normal business hours (that is, on workdays between 6:00 a.m. and 6:00 p.m.).<sup>11</sup> According to state payroll data, on 9 of those 12 days, Swenson took vacation leave for at least two hours; on 3 of those days, however, she did not take any vacation leave from work. This raises the possibility that she may have conducted training on three days as part of her time as a state employee, rather than on her own time.<sup>12</sup> State law prohibits the use of “state time...for the employee’s private interests.”<sup>13</sup>
- **Swenson’s state position is related to the training she provided through MnFIRE.** According to state statutes, executive branch employees “in the course of or in relation to their official duties” are prohibited from

directly or indirectly receiv[ing] or agree[ing] to receive any payment of expense, compensation, gift, reward, gratuity, favor, service or promise of future employment or other future benefit from any source, except the state for any activity related to the duties of the employee unless otherwise provided by law.<sup>14</sup>

In other words, the law generally prohibits state employees from receiving nonstate compensation for tasks that relate to their state duties. We think it is reasonable to infer that Swenson’s job duties have some connection to the training sessions on firefighter health she provided. For example, SFMD has offered its assistance to fire departments seeking ways to promote firefighter

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<sup>10</sup> *Minnesota Statutes* 2022, 43A.38, subd. 5(2).

<sup>11</sup> Eight of the sessions were from 9:00 a.m. to 11:00 a.m.; two were from 10:00 a.m. to 12:00 p.m.; one was from 8:30 a.m. to 10:30 a.m.; and one was from 7:00 a.m. to 9:00 a.m.

<sup>12</sup> On the three occasions when Swenson conducted training between 6:00 a.m. and 6:00 p.m. but did not take vacation time, the training provided was virtual rather than in-person training. However, there were two other days when she provided virtual training during regular business hours when she *did* take vacation time. According to DPS officials, Swenson is an exempt employee under the Fair Labor Standards Act, and her position requires work outside of 6:00 a.m. and 6:00 p.m. We did not obtain evidence to determine whether Swenson worked outside the hours of 6:00 a.m. and 6:00 p.m. on the three days we questioned in this paragraph, or if she worked more than 80 hours in the applicable pay periods, in which case she would not have been required to take vacation leave.

<sup>13</sup> *Minnesota Statutes* 2022, 43A.38, subd. 4(a).

<sup>14</sup> *Ibid.*, subd. 2.

health and safety, even prior to the Legislature’s establishment of the Hometown Heroes Assistance Program, and Swenson—in her official duties as Chief Deputy State Fire Marshal—helped to coordinate and direct all services and programs within the scope of the division. State law establishes several allowable exceptions to the law quoted above, but Swenson’s hourly compensation payments from MnFIRE do not appear to have met any of these exceptions.<sup>15</sup>

In response to our questions, Swenson said she asked the previous State Fire Marshal (James Smith) on three occasions whether her training activities created any conflicts of interest; according to Swenson, Smith said they did not.<sup>16</sup> She said she talked with Smith before she first started providing the MnFIRE training, and he told her that there was no conflict because firefighter health and wellness were not part of her job duties. She said she had another conversation with Smith when the Hometown Heroes legislation passed, and he advised her she could continue with the training. Swenson said she also talked with Smith when the Hometown Heroes Assistance Program transferred to SFMD in 2022, and Smith reportedly said there was no conflict because she was not involved with approving or directing the funds for this program.

State Fire Marshal James Smith retired from his state position in 2023 before we had an opportunity to interview him. However, if Smith advised Swenson that her work as a paid MnFIRE trainer did not constitute a conflict of interest—as Swenson told us—we think Smith was mistaken.

As a general rule, state employees should not put themselves in situations that may constitute conflicts of interest. State law says: “When an employee believes the potential for a conflict of interest exists, it is the employee’s duty to avoid the situation.”<sup>17</sup> Likewise, state executive branch policy says: “Employees must also avoid any action which might result in a potential conflict of interest or the appearance of a conflict of interest.”<sup>18</sup> While Swenson may have received incorrect advice from her superior about whether her actions violated state ethics policies, the law and state policy indicate that she also bears responsibility for avoiding potential conflicts.

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<sup>15</sup> *Minnesota Statutes* 2022, 43A.38, subd. 2.

<sup>16</sup> The state ethics policy in place at the time Swenson started providing training for MnFIRE said: “It is the employee’s responsibility to recognize and avoid potential or actual conflict of interest situations. If an employee becomes aware of or is not sure if a conflict of interest exists, the employee may submit a request in writing, for determination of potential conflict, to the employee’s supervisor. The supervisor will confer with the human resources office of the agency or the agency’s ethics officer to determine if a conflict exists.” (Minnesota Management and Budget, *Code of Ethics*, Human Relations/Labor Relations Policy #1417, 2, revised March 10, 2015.) Swenson said she does not have any written documentation of her exchanges with Fire Marshal Smith regarding the MnFIRE training, nor did she submit to Smith a written request for determination of a potential conflict.

<sup>17</sup> *Minnesota Statutes* 2022, 43A.38, subd. 6.

<sup>18</sup> Minnesota Management and Budget, *Code of Ethical Conduct*, Human Relations/Labor Relations Policy #1445, 5, effective January 1, 2022.

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## RECOMMENDATIONS

- **Chief Deputy State Fire Marshal Swenson should take immediate steps to remediate the violation of state ethical conduct policies.**
  - **Chief Deputy State Fire Marshal Swenson should avoid situations in the future that would violate state ethical conduct laws or policies.**
  - **DPS should work with Minnesota Management and Budget to take any additional necessary actions to address Chief Deputy State Fire Marshal Swenson's misconduct.**
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At a minimum, Swenson should voluntarily return the payment and gifts she received from MnFIRE while she was Chief Deputy State Fire Marshal. Going forward, she should not accept nonstate work related to her state duties or accept compensation from an SFMD vendor. Not only did these actions violate state ethical conduct policies, but they also created the appearance that Swenson—and SFMD by extension—was not independent from the grantee. Due to this appearance, DPS may want to consider designating another DPS official to manage SFMD's oversight of MnFIRE.

Finally, DPS should consult with Minnesota Management and Budget about any additional steps the state should take to address Swenson's actions.



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# Chapter 5: Oversight of Fire Safety Account Allocations

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The initial focus of our review was the Legislature’s Hometown Heroes Assistance Program grant to the Minnesota Firefighter Initiative (MnFIRE), which started in Fiscal Year 2022. However, we also examined the Department of Public Safety’s (DPS’s) allocations of other funding to MnFIRE in three previous years (fiscal years 2019 through 2021), as well as during the years in which MnFIRE received the Hometown Heroes grant (fiscal years 2022 and 2023).<sup>1</sup> This other funding came from the Fire Safety Account, a special revenue account in the state treasury.

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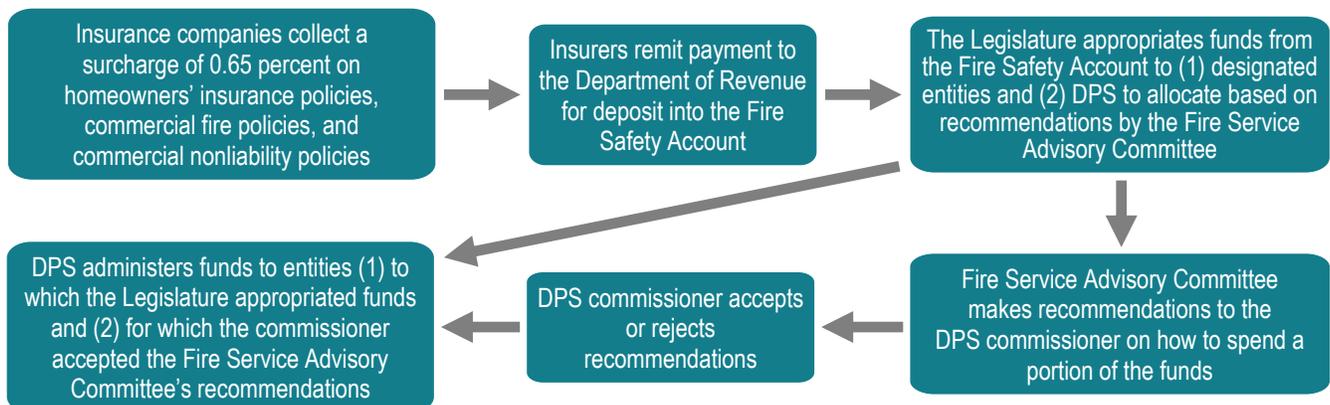
## Fire Safety Account

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The Fire Safety Account receives revenues from surcharges applied to homeowners’ insurance policies, commercial fire policies, and commercial nonliability policies.<sup>2</sup> As Exhibit 4 depicts, the Minnesota Legislature appropriates funds from the Fire Safety Account to designated entities. It also appropriates funds to DPS to allocate based on the recommendations of the state Fire Service Advisory Committee.<sup>3</sup>

### Exhibit 4

#### Process to Collect and Distribute Fire Safety Account Funds



Source: Office of the Legislative Auditor, based on *Minnesota Statutes 2022*, 297I.06, as amended by *Laws of Minnesota 2023*, chapter 52, art. 5, sec. 10; *Minnesota Statutes 2022*, 299F.012; and *Laws of Minnesota 2023*, chapter 52, art. 2, sec. 3, subds. 5 and 6.

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<sup>1</sup> We expanded the scope of our review because it became apparent to us that some practices we observed with the Hometown Heroes grant originated prior to that grant—at a minimum, during the period (fiscal years 2019 through 2021) when DPS allocated Fire Safety Account money to MnFIRE.

<sup>2</sup> *Minnesota Statutes 2022*, 297I.06.

<sup>3</sup> According to *Minnesota Statutes 2022*, 299F.012, subd. 2(a), the committee consists of “representatives of each of the following organizations: two appointed by the president of the Minnesota State Fire Chiefs Association, two appointed by the president of the Minnesota State Fire Department Association, two appointed by the president of the Minnesota Professional Fire Fighters, two appointed by the president of the League of Minnesota Cities, one appointed by the president of the Minnesota Association of Townships, one appointed by the president of the Insurance Federation of Minnesota, one appointed jointly by the presidents of the Minnesota Chapter of the International Association of Arson Investigators and the Fire Marshals Association of Minnesota, and the commissioner of public safety or the commissioner’s designee.”

According to law, the committee’s recommendations must support the following: (1) the Minnesota Board of Firefighter Training and Education (MBFTE), (2) programs and staffing for the State Fire Marshal Division (SFMD), and (3) “fire-related regional response team programs and any other fire service programs that have the potential for statewide impact.”<sup>4</sup>

For Fiscal Year 2022, the Minnesota Legislature directly appropriated \$14.4 million of the Fire Safety Account funds to MBFTE and SFMD. In the appropriations law, the Legislature also indicated that “any additional unappropriated money collected in fiscal year 2021 is appropriated to the commissioner of public safety” to allocate based on the recommendations of the Fire Service Advisory Committee.<sup>5</sup> As Exhibit 5 shows, the Fire Service Advisory Committee recommended, and the DPS Commissioner approved, allocations totaling \$2.3 million from the Fire Safety Account to five entities.

#### Exhibit 5

#### Allocations from the Fire Safety Account, Fiscal Year 2022

Legislative Appropriations			DPS-Commissioner-Approved Allocations		
Recipient	Purpose	Amount	Recipient	Purpose	Amount
SFMD	Division activities and programs	\$ 6,649,000	MBFTE	Funds for MBFTE to increase the per firefighter award amount for fire department training	\$1,169,265
	Hazardous materials and chemical assessment teams	950,000		Funds for Fire Chief Boot Camp through SFMD	24,000
	Maintenance of four emergency response teams: one each under the jurisdiction of the St. Cloud Fire Department, Duluth Fire Department, St. Paul Fire Department, and Moorhead Fire Department	675,000	SFMD	Specialized detection and decontamination equipment	477,015
	Inspection of nursing homes and boarding care facilities	300,000		Web-based permit processing and record management software	211,500
		Contract with Management Analysis and Development to develop a five-year strategic plan		35,000	
MBFTE	Firefighter training and education	4,500,000		Sprinkler trailer upgrades	25,000
	Minnesota Task Force 1	975,000	Arrowhead Regional Urban Search and Rescue Team	Increase staffing from 13 to 30 members, conduct a trench rescue technician class, conduct a structural collapse technician class, and purchase required personal protective equipment	327,023
	Minnesota Air Rescue Team	317,000		MnFIRE	To host a national conference
<b>Total</b>		<b>\$14,366,000</b>	Fire Service Advisory Committee	Strategic planning	20,000
			<b>Total</b>		<b>\$2,348,803</b>

Source: Office of the Legislative Auditor, analysis of *Laws of Minnesota 2021*, First Special Session, chapter 11, art. 1, sec. 14, subs. 4 and 5; Minnesota Department of Public Safety, *Fire Safety Account Financial Report for Fiscal Year 2022* (St. Paul, January 2023), 2-3; and data from the StateWide Integrated Financial Tools (SWIFT).

<sup>4</sup> *Minnesota Statutes 2022*, 299F.012, subd. 2(a).

<sup>5</sup> *Laws of Minnesota 2021*, First Special Session, chapter 11, art. 1, sec. 14, subd. 5(d).

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## Allocations to Nonstate Entities

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Since Fiscal Year 2019, allocations from the Fire Safety Account have fallen into four general categories:

- (1) Legislative appropriations to units within DPS.
- (2) DPS-commissioner-approved allocations to units within DPS or to other state agencies.
- (3) DPS-commissioner-approved allocations to nonstate entities identified by the Fire Service Advisory Committee.
- (4) Purchases of services for the direct benefit or use of the Fire Service Advisory Committee.

These differing uses of Fire Safety Account funds require different mechanisms of oversight. For example, when the funding is allocated directly to a unit in DPS, the department must rely on its internal controls and procedures to ensure compliance with applicable legal requirements. When Fire Safety Account funds are passed through DPS to a nonstate entity, the department is responsible for overseeing the use of these public funds. DPS must follow one set of oversight requirements when managing state grants, for example, and another set of oversight requirements when managing state procurements.

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### **State law does not explicitly indicate whether allocations to nonstate entities from the Fire Safety Account are considered to be grants or purchases.**

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State law defines a grant as “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.”<sup>6</sup> Grants are distinguished from nongrant purchases, in which the purpose of the relationship is “acquiring by professional or technical contract, purchase, lease, or barter property or services for the direct benefit or use of the granting agency.”<sup>7</sup>

According to a DPS official, DPS has not treated Fire Safety Account allocations to nonstate entities as grants because state law does not explicitly indicate that these allocations are grants. In other words, absent the explicit authority to make grants from the Fire Safety Account, DPS has not treated these allocations as grants. However, because the Fire Safety Account funds allocated to MnFIRE and other nonstate entities were used to support a public purpose authorized by law—and not for the direct benefit or use of DPS—we think these types of expenditures are best categorized as grants.<sup>8</sup>

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<sup>6</sup> *Minnesota Statutes 2022*, 16B.97, subd. 1(a).

<sup>7</sup> *Ibid.*

<sup>8</sup> According to a DPS official, allocations from the Fire Safety Account to units within DPS are handled internally as special expense budget items. For example, in the case of MBFTE’s training reimbursement allocation in Fiscal Year 2022, DPS deposited the funds into a special expense account to which applicable MBFTE expenditures were applied. Other expenses, such as the allocation for Fire Service Advisory Committee strategic planning in Fiscal Year 2022, could be treated as a purchase instead of a grant, depending on the characteristics of the expense.

The remainder of this chapter focuses on Fire Safety Account allocations to nonstate entities identified by the Fire Service Advisory Committee—allocations we believe should be treated as state grants.<sup>9</sup> Specifically, we examined the Fire Service Advisory Committee’s and DPS’s processes to select and oversee six grants, as shown in the box below.

Grants Included in OLA’s Review			
Recipient	Fiscal Year	Purpose	Award Amount
MnFIRE	2019	Statewide training on mental health, cancer, and cardiovascular disease	\$ 500,000
MnFIRE	2020	Statewide training on mental health, cancer, and cardiovascular disease	60,000
MnFIRE	2021	Training development and delivery on mental health, cancer, and cardiovascular disease	400,000
MnFIRE	2022	To host a national conference	60,000
MnFIRE	2023	To address outstanding bills	1,000,000
Arrowhead Regional Urban Search and Rescue Team	2022	To increase staffing, administer classes, and purchase equipment	327,023

## Grant Award Process

As we stated above, the Fire Service Advisory Committee makes recommendations to the DPS commissioner on how to spend a portion of Fire Safety Account funds. By law, DPS may not spend funds from the Fire Safety Account without the recommendation of the Fire Service Advisory Committee, so the committee’s procedures for making recommendations have driven DPS’s allocation decisions.<sup>10</sup>

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### **The Fire Service Advisory Committee has not followed state grant requirements when selecting nonstate entities to receive Fire Safety Account funds.**

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Based on our review, we found no evidence that the Fire Service Advisory Committee followed any of the state policies governing the process by which state executive branch agencies, boards, committees, councils, authorities, and task forces must award grants.<sup>11</sup> Below we highlight key areas in which the Fire Service Advisory Committee’s selection process has not followed state grant policies.

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<sup>9</sup> For simplicity, we refer to these allocations as “grants” in this chapter.

<sup>10</sup> *Minnesota Statutes 2022*, 299F.012, subd. 1.

<sup>11</sup> The Fire Service Advisory Committee is an executive branch committee. Specifically, we assessed the committee’s compliance with state policies on addressing conflicts of interest in state grantmaking, using rating criteria for competitive grant review, writing and publicizing grant opportunities, and issuing single- and sole-source grants.

First, the Fire Service Advisory Committee has not followed state requirements for **publicizing competitive grants**. State policy says that all grants greater than \$5,000 that are not legislatively named, formula, or single- or sole-source grants are subject to the state's competitive grant policy.<sup>12</sup> Competitive grant opportunities "shall be publicized as broadly as possible," including posting "on the granting agencies' websites" as required by state statute.<sup>13</sup>

The Fire Service Advisory Committee's "Presentation Policy and Guidelines" establish the process by which the committee considers requests for funding.<sup>14</sup> The policy says:

Anyone wanting to request funding from the Fire Service Advisory Committee will need to have their request and supporting materials submitted in writing to the Committee Chair at least twenty business days, (does not include weekends and holidays), prior to the designated Committee meeting date for presentations.<sup>15</sup>

The Fire Service Advisory Committee's policy states that requests for funding received in a timely manner will be considered by the committee, but the policy does not require public postings of its solicitations. The chair of the committee told us that his committee does not post widely publicized notices to solicit proposals for spending Fire Safety Account revenues; rather, the State Fire Marshal notifies a list of stakeholders that the committee will be accepting requests or proposals for funding.<sup>16</sup> In our review of grant documents, we saw no evidence that DPS or the Fire Service Advisory Committee advertised grant opportunities. Without a more public process for soliciting proposals, the process may unfairly limit which entities submit proposals and therefore receive funding.

Second, the Fire Service Advisory Committee has not **documented whether members have conflicts of interest**. The Fire Service Advisory Committee's bylaws state that:

If [a Fire Service Advisory Committee] member has a conflict of interest on a matter before the committee, they shall notify the chair prior to the beginning of the meeting whenever possible and shall abstain from voting on that matter. The chair will advise the committee of this disclosure.<sup>17</sup>

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<sup>12</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-03, *Policy on Writing and Publicizing Grants Notices and Requests for Proposal*, revised September 15, 2017, 2. Legislatively named grants are grants for which the Legislature names the amount and purpose of the grant—and possibly the grantee organization—in law. Formula grants are noncompetitive awards made to eligible entities based on a predetermined formula. Single-source grants are noncompetitive awards to entities selected because they are uniquely able to fulfill the intent of the grant, and sole-source grants are noncompetitive awards to entities that are the only providers of a particular service.

<sup>13</sup> *Ibid.* *Minnesota Statutes 2022*, 15.994, requires an agency's website to contain "information on grants available through the agency," and to "provide a link to any grant application."

<sup>14</sup> The current guidelines, as revised in 2020, are at: <https://dps.mn.gov/divisions/co/programs/fire-service-advisory-committee/Documents/PresentationPolicyUpdated2020.pdf>.

<sup>15</sup> *Ibid.*

<sup>16</sup> If the committee's expenditures were to be considered purchases rather than grants, it is also worth noting that the committee does not require the submission of sealed bids or proposals.

<sup>17</sup> Fire Service Advisory Committee, *Bylaws*, revised January 8, 2020, 3.

State grant policy requires all grant reviewers to complete conflict of interest disclosure forms for each competitive grant review in which they participate.<sup>18</sup> We saw no evidence in the grant documents we received from DPS that any Fire Service Advisory Committee member completed conflict of interest disclosure forms for any of the grants in our sample. When the committee voted to recommend that DPS allocate \$1 million to MnFIRE in August 2022, the meeting minutes reflect that one member questioned whether they had a conflict of interest as they also served on MnFIRE’s board. The minutes from the meeting did not indicate whether the member abstained from the vote, nor did we receive any conflict of interest disclosure forms for that committee member.<sup>19</sup>

Third, the Fire Service Advisory Committee’s selection of Fire Safety Account grantees has not followed the state’s requirements for **single-source grant awards**. A single-source grant is “a type of non-competitive grant that is awarded to an entity that is selected due to specific reasons, such as a geographic location or community knowledge and relationships that make that entity uniquely able to fulfill the intent of the grant.”<sup>20</sup> State policy establishes a preference for competitive award processes, and it says an agency may only execute single-source grants of more than \$5,000 after preparing written justification.<sup>21</sup> However, the Chair of the Fire Service Advisory Committee told us that, to his knowledge, neither his committee nor DPS has prepared written justifications in cases where only one entity (MnFIRE or some other entity) has been considered for an award from the Fire Safety Account.

## Grant Oversight

After the Fire Service Advisory Committee makes recommendations to the DPS commissioner on how to allocate Fire Safety Account funds, the commissioner may accept or reject the committee’s recommendations. DPS then awards funds to the entities for which the commissioner accepted the Fire Service Advisory Committee’s recommendation.

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<sup>18</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-01, *Conflict of Interest Policy for State Grant-Making*, revised January 1, 2022, 1.

<sup>19</sup> The committee member’s affiliation with MnFIRE represents a *potential* conflict of interest, as the member had “a relationship, affiliation, or other interest that could create an inappropriate influence if the person is called on to make a decision or recommendation that would affect one or more of those relationships, affiliations, or interests” (Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-01, *Conflict of Interest Policy for State Grant-Making*, revised January 1, 2022, 3). An *actual* conflict of interest occurs when “a person’s decision or action would compromise a duty to a party without taking immediate appropriate action to eliminate the conflict” (*Ibid.*). We could not determine whether there was an actual conflict of interest since the minutes did not document whether the member voted.

<sup>20</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-07, *Policy on Single and Sole Source Grants*, revised June 18, 2012, 2. This policy also defines a “sole source grant” as “a type of non-competitive grant that is awarded to an entity because it is the only provider of a particular service” (*Ibid.*).

<sup>21</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-07, *Policy on Single and Sole Source Grants*, revised June 18, 2012, 1.

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**DPS has not implemented any meaningful oversight of the funds it has awarded to nonstate entities from the Fire Safety Account.**

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Based on our review, we found no evidence that DPS has followed any of the state’s grant oversight policies for funds awarded from the Fire Safety Account.<sup>22</sup> Below we highlight key areas in which DPS’s oversight of these funds has not followed state grant policies.

First, in cases where DPS has awarded Fire Safety Account grants to nonstate entities, it has done so without proper **consideration of the receiving organizations’ finances**. State policy says: “Before awarding a grant of over \$25,000 to a nongovernmental organization, Minnesota state agencies must assess a recent financial statement from that organization.”<sup>23</sup> The Fire Service Advisory Committee’s policies do not require organizations applying for funds to submit financial statements, and the chair of the committee told us that, to his knowledge, the committee does not ask for such submissions as part of its process for making recommendations to DPS. Further, we saw no evidence in the grant documents we received from DPS that DPS staff reviewed any financial statements prior to awarding the grants in our review.

Second, DPS has not required that recipients of Fire Safety Account funds enter into **grant agreements or contracts**. A contractual arrangement is helpful to specify the conditions of the grant, and to clarify DPS’s expectations of the recipient. Failure to implement an appropriate contract undermines the state’s oversight of the use of these funds.

Furthermore, the failure to implement formal agreements—such as contracts or grant agreements—when allocating Fire Safety Account funds to nonstate entities is inconsistent with state grant-making laws and policies. State law says: “Payments to the grantee may not be issued until the grant agreement is fully executed.”<sup>24</sup> Similarly, state grant policies state: “Minnesota state agencies must use a written grant contract agreement or grant application with a corresponding grant award notification for all grants made by the agency.”<sup>25</sup>

Third, according to a DPS official, DPS **paid Fire Safety Account grantees in advance**, prior to when the grantee incurred grant expenses. State grant policy says that “reimbursement is the preferred method for making grant payments.”<sup>26</sup> The policy allows a state agency to make advance payments (that is, payments before expenditures

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<sup>22</sup> Specifically, we assessed DPS’s compliance with state policies on reviewing the financial stability of nongovernmental organizations, executing grant contracts, making grant payments, reviewing grant progress reports, monitoring grants, and conducting grant closeout evaluations.

<sup>23</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-06, *Policy on the Financial Review of Nongovernmental Organizations*, revised December 2, 2016, 1. This policy applies to grant-making at all executive branch agencies, boards, committees, councils, authorities, and task forces. The Fire Service Advisory Committee is an executive branch committee.

<sup>24</sup> *Minnesota Statutes* 2022, 16B.98, subd. 7.

<sup>25</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-04, *Policy on the Use of Grant Contract Agreements and Grant Award Notification*, revised November 24, 2020, 1.

<sup>26</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-08, *Policy on Grant Payments*, revised April 12, 2021, 1.

have been incurred) in certain circumstances, but only if the agency has approved a written justification for doing so. No such written justification exists for the six grants we reviewed.

Fourth, DPS did not take the steps outlined in state grant policy to ensure that Fire Safety Account grantees made progress in achieving the purposes of the grants or complied with legal requirements for the use of Fire Safety Account funds. For grants over \$50,000, state policy requires agencies to conduct at least one **monitoring visit** and one **financial reconciliation** of grantees' expenditures prior to making final payment.<sup>27</sup> We found no evidence that DPS conducted any monitoring visits or financial reconciliations for the six grants included in our review, despite the fact that all six exceeded \$50,000.

## Partial Loan to MnFIRE

One of the grants in our review—the \$1 million allocation to MnFIRE for Fiscal Year 2023—warrants special attention. This \$1 million allocation was in addition to the \$4 million of state funds appropriated in fiscal years 2022 and 2023 for grants to MnFIRE to administer the Hometown Heroes program.<sup>28</sup>

As we discussed in Chapter 1, the Legislature's transfer of the Hometown Heroes grant from the Office of Justice Programs (OJP) to SFMD in mid-2022 resulted in greater state scrutiny of MnFIRE's payment requests. After the transfer, the State Fire Marshal designated a different staff person to serve as grant manager for this grant. The new grant manager was assisted by another DPS employee, who had extensive grant management experience. Consistent with the direction the DPS chief financial officer said he gave, the new grant manager overseeing the grant on behalf of SFMD did not make advance payments to the grantee and asked to see detailed documentation for the grantee's payment requests. There was a period of three months between the last payment to the grantee authorized by the OJP grant manager (in June 2022) and the first payment to the grantee authorized by the SFMD grant manager (in September 2022).<sup>29</sup>

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### **To address MnFIRE's cash flow problems in 2022, DPS provided it with additional financial assistance and required only partial repayment.**

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In August 2022—less than a year after DPS awarded the Hometown Heroes grant to MnFIRE—MnFIRE sought \$1 million in emergency funding from the Fire Service Advisory Committee so that it could pay its bills. As recommended by the committee, the DPS Commissioner authorized MnFIRE to receive \$1 million in funding from the

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<sup>27</sup> Minnesota Department of Administration, Office of Grants Management, Operating Policy and Procedure 08-10, *Policy on Grant Monitoring*, revised December 2, 2016, 1. The policy recommends that agency monitoring visits be done in person whenever possible, although they may be done by telephone. The policy defines “financial reconciliation” as “reconciling a grantee’s request for payment for a given period with supporting documentation for that request, such as purchase orders, receipts and payroll records and occurs before final payment is made.”

<sup>28</sup> *Laws of Minnesota 2021*, First Special Session, chapter 11, art. 1, sec. 14, subd. 7(k).

<sup>29</sup> In addition, the June and September 2022 payments to MnFIRE were much smaller than the payments in other months when payments occurred, so there were essentially five months in which DPS's payments to MnFIRE were small or nonexistent.

Fire Safety Account “to address their outstanding bills.”<sup>30</sup> The Commissioner stipulated that MnFIRE pay back \$600,000 by the end of Fiscal Year 2023. There was no requirement for the grantee to pay back the remaining \$400,000. MnFIRE repaid \$300,000 of the \$600,000 loan on June 13, 2023, and the remaining \$300,000 on August 14, 2023.

We question the basis on which DPS awarded this funding. While the funding aligns with an allowable use of Fire Safety Account funds—specifically, that the funds be used for “any other fire service programs that have the potential for statewide impact”—the funds were awarded to support a grantee over which DPS had conducted limited oversight.<sup>31</sup> As we explained in Chapters 1 and 2, MnFIRE did not comply with legal requirements pertaining to its procurements, and DPS did not exercise adequate oversight of MnFIRE, particularly in the year prior to August 2022.

As we described in this chapter, DPS’s \$1 million partial loan to MnFIRE was not awarded in compliance with state grant policies. Most notably, DPS distributed \$1 million to MnFIRE without entering into a formal contract with the nonstate entity. While we are concerned that DPS provided this funding in the first place, we are particularly troubled that no contract exists for this allocation from the Fire Safety Account. As we stated above, failure to execute an appropriate contract creates financial risks to the state and does not give the state important mechanisms to provide oversight or hold the grantee accountable.

## Recommendations

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### RECOMMENDATION

**The Fire Service Advisory Committee and DPS should strengthen their processes for awarding and overseeing allocations to nonstate entities from the Fire Safety Account.**

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When allocating Fire Safety Account funds to nonstate entities, we think the Fire Service Advisory Committee and DPS should follow state requirements for making grants. As we stated above, a grant is “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.”<sup>32</sup> Fire Safety Account funds “are to be used to provide resources needed for identified activities and programs of the Minnesota fire service,” which suggests that Fire Safety Account allocations to nonstate entities are intended to “support a public purpose authorized by law.”<sup>33</sup>

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<sup>30</sup> John Harrington, Commissioner, Minnesota Department of Public Safety, letter to BJ Jungmann, Chair, Fire Service Advisory Committee, August 24, 2022. The August 22, 2022, minutes of the Fire Service Advisory Committee said the grantee had “no current fund balance, or funds to pay insurance for firefighters. Unable to get money from grant until they pay their bills. Have monthly expenses of \$300K-\$400K, only \$100K-\$150K in account. Unable to get line of credit.”

<sup>31</sup> *Minnesota Statutes* 2022, 299F.012, subd. 2(a)(3).

<sup>32</sup> *Minnesota Statutes* 2022, 16B.97, subd. 1(a).

<sup>33</sup> *Minnesota Statutes* 2022, 16B.97, subd. 1(a); and 299F.012, subd. 1.

Of particular importance, we recommend that DPS establish grant agreements or contracts for each allocation it makes to a nonstate entity from the Fire Safety Account. By not having formal agreements with these entities, DPS has not clearly specified the terms and conditions under which these entities have received and may use the funding from the Fire Safety Account. As a result, DPS has limited its ability to hold nonstate entities accountable for their use of this funding. In our view, the absence of written grant agreements or contracts is contrary to good contracting or grant management practices, and is not in compliance with the state's procurement or grants laws and policies.

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## **RECOMMENDATION**

**The Legislature should clearly indicate that allocations to nonstate entities from the Fire Safety Account should be regarded as grants.**

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As we stated earlier in this chapter, since Fiscal Year 2019, allocations from the Fire Safety Account have fallen into four general categories. One of the categories includes allocations to nonstate entities identified by the Fire Service Advisory Committee—allocations that we believe are best categorized as grants.

To ensure appropriate oversight mechanisms are in place, we think that the Legislature should clarify its intent for the use of Fire Safety Account funds by nonstate entities, either by specifying as such in appropriations laws or amending *Minnesota Statutes*, 299F.012.

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# List of Recommendations

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- The Department of Public Safety (DPS) should ensure that its pre-award risk assessments are sufficiently thorough. (p. 7)
- DPS should ensure that the state’s authorized representative reviews grantee payment requests in accordance with state grant policy. (p. 9)
- DPS should conduct a full audit of the Minnesota Firefighter Initiative’s (MnFIRE’s) requests for payment for expenses it charged to the Hometown Heroes grant. (p. 12)
- DPS should provide consistent direction in its grant manuals—for example, regarding the extent of expenditure documentation that DPS staff should review prior to authorizing grant payments. (p. 13)
- DPS should ensure grant payments are made as reimbursements, rather than advance payments, unless it has approved a written justification for doing so. (p. 15)
- DPS should ensure that it conducts monitoring visits and financial reconciliations in accordance with state grant policy. (p. 17)
- DPS should ensure that staff review grant progress reports before approving payments, in accordance with state grant policy. (p. 18)
- DPS should ensure that grant closeout evaluations include all elements required by state grant policy. (p. 19)
- MnFIRE should comply with state grant requirements related to procurement. (p. 26)
- DPS should ensure that grantees properly understand procurement requirements, and it should monitor and enforce compliance with those requirements. (p. 26)
- Chief Deputy State Fire Marshal Swenson should take immediate steps to remediate the violation of state ethical conduct policies. (p. 37)
- Chief Deputy State Fire Marshal Swenson should avoid situations in the future that would violate state ethical conduct laws or policies. (p. 37)
- DPS should work with Minnesota Management and Budget to take any additional necessary actions to address Chief Deputy State Fire Marshal Swenson’s misconduct. (p. 37)
- The Fire Service Advisory Committee and DPS should strengthen their processes for awarding and overseeing allocations to nonstate entities from the Fire Safety Account. (p. 47)
- The Legislature should clearly indicate that allocations to nonstate entities from the Fire Safety Account should be regarded as grants. (p. 48)



OLA



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State Fire Marshal

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August 25, 2023

Judy Randall  
Legislative Auditor  
1st Floor South, Centennial Office Building  
Saint Paul, MN 55155

Dear Auditor Randall:

Thank you for the opportunity to review and respond to the Office of Legislative Auditor's (OLA) special review of the Hometown Heroes Assistance Program (HHAP) grant and oversight of the Fire Safety Account (FSA) allocations. We appreciate the OLA's careful review of HHAP and the FSA and welcome opportunities to strengthen our oversight. The Department of Public Safety (DPS) has already taken measures to address findings listed within this report. Moving forward, DPS will continue to find and implement opportunities for improvement in the oversight and management of the HHAP grant and FSA allocations that are in alignment with the audit's findings and recommendations.

### **DPS Oversight of the Hometown Heroes Grant**

The OLA identified that DPS's oversight of the Hometown Heroes Grant was flawed. In 2021, the Minnesota Legislature directed DPS to fund the HHAP through the Minnesota Firefighter Initiative (MNFIRE), a nonprofit organization created in 2016. The statute provided no discretion in the selection of the organization to implement the program.

The 2023 legislative session bolstered DPS's oversight ability in two ways. First, it expanded the authority and capacity of the Department of Administration's Office of Grants Management (OGM) to provide consistent guidance and tools to ensure compliance with state laws and policies governing grants and grant funds. This expansion will better ensure DPS alignment and compliance with all current and future OGM policies and procedures. Second, the legislature increased funding to the Office of Justice Programs (OJP) as well as our agency administration budget, which will allow OJP and DPS to add additional oversight staff.

The findings and recommendations in this report will further help strengthen our internal controls and grant oversight. For example, DPS will ensure thorough pre-award risk assessments of financial viability of the grantee both before grant award and before execution of a grant agreement. DPS is also already undertaking a process to implement additional internal controls for oversight and monitoring of the grantee when the pre-award risk assessment identifies significant concerns with the grantee's financial capacity. These additional controls may include increased site visits, desk audits, more frequent

progress reports, or potentially not awarding the grant. DPS is committed to ensuring that grants managers are properly trained to perform and document pre-award risk assessments.

Finally, DPS will implement the following comprehensive steps to increase grantee oversight:

- Revising its grants policy and procedures to provide clear expectations for reviewing grantee payment requests in accordance with state grant policy.
- Contracting with a third-party audit firm to conduct a full audit of MNFIRE's requests for payment for expenses it charged to the Hometown Heroes grant.
- Conducting a review of DPS division grant manuals and developing an agency-wide grants manual that will provide consistent terminology and direction regarding expectations on oversight and management of grants, which includes the following:
  - Review expenditure documentation before authorizing grant payments to ensure expenditures are allowable and eligible under the grant.
  - Conduct site monitoring visits, desk audits, and financial reconciliations in accordance with state grant policy.
  - Review grant progress reports before approving payments, in accordance with state grant policy.
  - Comply with grant closeout evaluations to include all elements required by state grant policy.
- Revising DPS Policy 3013 Grants Management and DPS Procedure 3013-01 Grants Management Procedure regarding advance payments to clarify that grant payments are made as reimbursements and not advance payments. Advance payments require a written justification submitted to and approved by the DPS Chief Financial Officer.

### **MNFIRE's Compliance with Procurement Requirements**

DPS concurs that MNFIRE's procurements did not comply with legal requirements despite being a requirement within the grant terms and conditions. DPS is already undertaking a process to strengthen the program guidelines in DPS grant agreements to ensure that grantees understand their responsibility to comply with state procurement requirements. DPS will also update appropriate grant policies and procedures to address DPS's expectations and responsibilities to monitor and enforce grantee compliance with state procurement requirements.

### **Ethical Conduct Issues**

The OLA identified a violation of the state ethical conduct policies by an employee who received payments for training from a state grantee for which the employee had oversight responsibility.

While the employee sought and received approval from their supervisor, the violation of state ethical conduct policies has been addressed with the employee and corrective action has been taken by DPS.

### **Oversight of Fire Safety Account Allocations**

As noted by the OLA, state law does not expressly provide whether allocations to nonstate entities from the Fire Safety Account are considered grants or purchases. As such, DPS managed this account as an allocation.

DPS, in coordination with the Fire Services Advisory Committee (FSAC) Board, will strengthen internal controls for the processes used in awarding and overseeing allocations from the Fire Safety Account. DPS will work with the FSAC Board to: (1) develop program guidelines to clearly articulate the process for disbursing funds; (2) require written contracts/agreements to include a provision for oversight of the use of funds; and (3) provide for monitoring of grantee/contractor expenditures in compliance with the contract terms and conditions and the state's procurement policies and procedures.

We appreciate the review conducted by the OLA on the HHAP and the FSA. DPS remains committed to working with the OLA to safeguard public funds and meet the needs and expectations of our public safety partners and all Minnesotans. As such, DPS has already taken corrective measures to address OLA findings prior to the release of this full report and we will continue to implement improvements that are in alignment with the discussed findings and recommendations.

Sincerely,

A handwritten signature in black ink that reads "Bob Jacobson". The signature is written in a cursive style and is contained within a thin black rectangular border.

Bob Jacobson  
Public Safety Commissioner



OLA



August 28, 2023

Judy Randall  
Legislative Auditor  
Office of the Legislative Auditor  
658 Cedar Street, Room 140  
Saint Paul, MN 55155-1603

Dear Ms. Randall,

Thank you for the opportunity to comment on the Office of the Legislative Auditor's Hometown Heroes Assistance Program Special Review.

The Minnesota Firefighter Initiative (MnFIRE) appreciates the feedback and recommendations detailed in this report, and concurs with much of the information presented.

The issues detailed in this report validate our own challenging experience. The vast majority of the administrative disconnects MnFIRE experienced around compliance, documentation and other processes occurred as a result of the oversight transition from the Office of Justice Programs (OJP) to the State Fire Marshal Division (SFMD).

In July 2022, when program oversight shifted to SFMD, our team was rapidly educated on processes we simply weren't aware of nor were previously alerted to, and immediately worked to improve compliance. Since then, we have worked diligently to navigate the challenges these two distinctly different oversight approaches created: policy inconsistencies, competing contract requirements, the shift from receiving grant funds upon presentation of invoices for services provided to requiring proof of payment, and more. Over the past 13 months, MnFIRE has made significant updates to its operations, and welcomed additional guidance, to fully comply with state guidelines, reporting and other elements of the program's grant.

Today, we know we are in good hands with SFMD, and we are confident we have acted as diligent stewards of the funds provided by the state to improve firefighter health and wellness throughout this process. We will continue to adjust our policies and processes in order to achieve compliance and strengthen the overall program delivery.

We do want to clarify two areas covered in the report:

**PROGRAM EFFICACY**

We believe some of the report's feedback about specific aspects of the Hometown Heroes Assistance Program (HHAP) could easily be misinterpreted, and want to provide

unequivocal data that outlines the positive impact the program has already made in the lives of the state's 20,000 firefighters and their families.

Much of the program was up and running in just one month: MnFIRE paid out claims and enhanced training for firefighters almost immediately after HHAP was enacted. The MnFIRE Assistance Program, modeled on employee assistance programs familiar to many for-profit companies, went live on Oct. 1, 2021.

MnFIRE took a decidedly nontraditional approach to implementing this important program. Key to its fast-turn success was pre-implementation planning and program development efforts in the years leading up to passage of the HHAP legislation. MnFIRE conducted extensive market analysis leveraging the expertise of AON, a world-leading consultancy organization in the analysis and creation of benefits programs, to design and develop solutions for the Minnesota fire service. Ultimately after extensive research ending in late 2020, MnFIRE selected two Minnesota based private-sector companies, both already making a huge impact in the marketplace: Optum and Securian. Bringing those two companies to the table allowed MnFIRE to implement the HHAP quickly, efficiently and effectively. By leveraging their track record of successfully delivering similar – although not exactly identical – services to corporate America, and not spending valuable time and resources on distractions like hiring employees or building out office space, MnFIRE was able to generate results almost immediately.

In addition to building a consortium of partners to get things done, MnFIRE was able to lock in rate guarantees from Optum and Securian, which means that there was no need to ask the legislature for a funding increase during the 2023 session. The legislature included the next two years of funding in its base budget.

In its first two years, the program has provided:

- 953 firefighter-focused mental health providers across the state to offer up to five no-cost counseling sessions per issue to firefighters and their families. To date, the MnFIRE Assistance Program has facilitated 1,332 provider visits.
- An expanded network of trained MnFIRE peer supporters, which has responded to 662 calls.
- 141 paid Critical Illness claims, totaling \$1.83 million. Illnesses have included full-benefit cancer, COVID-19, post-traumatic stress disorder, skin cancer, other cancer, ALS, heart attack, sudden cardiac arrest, heart disease, kidney failure, coronary artery disease needing surgery, and more.

In addition, since 2018, MnFIRE has facilitated 1,160 MnFIRE trainings to more than 17,000 firefighters about the increased occupational health risks they face and how to cultivate a healthy lifestyle. As the report indicates, more than 4,000 of those firefighters have been trained since the HHAP went into effect in 2021. Persuading local departments to take advantage of these valuable and life-changing training sessions has been challenging, especially since departments have no requirement to complete the HHAP training and there is no existing statewide database of firefighters. We continue to seek and implement both proven and new methods of encouraging more

departments across the state to get trained, including direct communication to departments and city leadership (brochures, posters, emails, phone calls, in-person meetings), paid advertising, social media, media relations, videos, partnerships, events, and more.

We would also like to address the concerns over variability in the use of the MnFIRE Assistance Program (MAP) included in the report. It is worth noting that provider visit data may be skewed from month to month because there is occasionally a lag time from when an individual visits with a provider to when the provider submits a claim. The utilization of these services has fluctuated from month to month, but the number of cases tracking steadily indicates the program is being used consistently and has been an impactful resource for firefighters and their families.

### **MINNESOTA FIRE SAFETY ACCOUNT LOAN**

The report effectively outlines MnFIRE's cashflow issues that arose due to the multi-month lag time in payments when oversight shifted between Department of Public Safety units.

When the HHAP grant was under the umbrella of OJP, grant funds were paid upon MnFIRE's presentation of invoices for work completed, and MnFIRE would then pay HHAP invoices directly with the grant payments. The switch to proof-of-payment extended the reimbursement process by more than 30 days, which then created cash-flow challenges.

MnFIRE reached out to SFMD for guidance on how to solve this issue so that MnFIRE could continue fulfilling its legislatively mandated obligations under the HHAP. MnFIRE did not ask SFMD (or any other state agency) for a loan. Rather, the loan was the solution proposed by SFMD. As also noted in the report, the use of Fire Safety Funds for this purpose is allowable under the program. MnFIRE was grateful for the loan of \$600,000, which enabled us to meet our financial obligations during the jarring transition between oversight entities that imposed conflicting payment processes. As recognized in the report, MnFIRE paid back the loan in full in the required timeframe.

We acknowledge and appreciate the recommendations in this report provided by the OLA, and will continue to diligently revise our procedures and processes to ensure that our organization is complying with all state grant requirements for the HHAP, so that we can continue to effectively serve Minnesota firefighters.

Through it all, MnFIRE has been dedicated to keeping overhead costs exceptionally low, to ensure we're maximizing funds for those who need them most: firefighters and their families. MnFIRE's fiduciary duty, commitment to transparency, and responsibility for this life-saving program are obligations we take extremely seriously.

Thanks in no small part to the Hometown Heroes Assistance Program, 2022 and 2023 have been landmark years for Minnesota firefighter health and wellness. The program is already demonstrating significant return on the legislature's investment. With the diligent guidance of the SFMD, our organization has made major strides in course-correcting after the administrative challenges of the oversight transition, and will

continue to improve both our processes and the resources the Hometown Heroes Assistance Program provides to Minnesota's fire service.

Sincerely,

A handwritten signature in black ink, appearing to read "George Esbensen". The signature is fluid and cursive, with the first name "George" being larger and more prominent than the last name "Esbensen".

George Esbensen  
Board President  
Minnesota Firefighter Initiative

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## FIRE SERVICE ADVISORY COMMITTEE

C/O Minnesota Board of Firefighter Training & Education  
445 Minnesota St. Ste 146  
St Paul, MN 55101

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August 25, 2023

Office of the Legislative Auditor  
658 Cedar St  
Room 140, Centennial Building  
St Paul, MN 55155-1603

Dear Legislative Auditor Randall:

We appreciate the Office of the Legislative Auditor evaluating the Fire Service Advisory Committee's process. The committee prides itself on transparency and following any processes or guidance needed. As indicated in the report, state law does not explicitly indicate whether allocations to nonstate entities from the Fire Service Safety Account are considered grants or purchases. The committee was not aware of the processes and requirements referenced in the report. The committee looks forward to getting clarification on whether the Fire Safety Account is considered a grant or procurement. We then look forward to implementing the appropriate changes to ensure compliance with the state regulations.

Sincerely,



Ed Hoffman  
Vice Chair



BJ Jungmann  
Past Chair



OLA

For more information about OLA and to access its reports, go to: <https://www.auditor.leg.state.mn.us>.

To offer comments about our work or suggest an audit, evaluation, or special review, call 651-296-4708 or email [legislative.auditor@state.mn.us](mailto:legislative.auditor@state.mn.us).

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