

A GUIDE FROM SUBMITTABLE AND U.S. BANK

# How state & local governments can *modernize payment processing* when managing grant programs



*State and local governments face an urgent imperative: the modernization of their payment processing to support their grant management systems activities so they can ensure effective, timely, and compliant disbursement of public funds.*

*The way forward is through close partnership between the Department of Finance ERP systems, agency-specific grant management systems (GMS), and their banking institution. This report contains an overview of the current situation state and local governments face and how the State of Minnesota, Submittable, and U.S. Bank partnered to solve many of the same issues and deliver secure, compliant payments to COVID frontline workers.*




## Why this moment matters for state and local grants professionals

Multiple recent federal actions raise the risks inherent in outdated ERP systems that are locked down and do not allow integrated access to grant management systems. These actions include, but are not limited to:

- **Modernizing Payments To and From America's Bank Account** ([E.O. March 25, 2025](#)): Aims to reduce the amount of paper money used to disburse funds.
- **Improving Oversight of Federal Grantmaking** ([E.O. Aug 7, 2025](#)): Requires rigorous evaluation of funding opportunities and award decisions, with political appointee involvement to ensure grants benefit Americans, avoid duplication, and align with administration priorities.
- **Use of Appropriated Funds for Illegal Lobbying and Partisan Political Activity by Federal Grantees** ([Memo, Aug 28, 2025](#)): Directs agencies and the Attorney General to curb the misuse of federal grant funds for political lobbying.
- **Pandemic Response Accountability Committee** ([PRAC](#)): Continues to highlight waste, fraud, and abuse in federal fund distribution.
- **U.S. Treasury's "Do Not Pay" Modernization**: Streamlining validation and tightening payment timelines, requiring local systems to keep pace.

Together, these developments elevate modernization from an operational necessity to a compliance imperative.

## Three major challenges facing governments

	<b>Stack Limitations</b>	Many systems can't handle real-time validations or data integration—leading to gaps in compliance checks.
	<b>Legacy Infrastructure</b>	Older systems struggle to interface with federal and state platforms or adapt to evolving grant oversight requirements.
	<b>Bureaucratic Bottlenecks</b>	Fragmented workflows, manual approvals, and siloed departments result in slow processes and increased risk.

## Why delays are so costly

Payment processing delays create administrative headaches that directly impact **program and service delivery to residents**:

- Families wait longer for housing, childcare, or healthcare assistance.
- Nonprofit partners and vendors struggle to maintain cash flow when reimbursements lag.
- Local economies miss out on timely investments that grants are designed to stimulate.

At the same time, delays **expose governments financially**:

- **Terminations or pauses:** If federal agencies terminate grants or pause drawdowns due to compliance concerns or shifts in political and programmatic priorities, state and local governments may be left covering expenses out of their own budgets.
- **Ripple effects:** A backlog of obligations without timely reimbursement creates pressure on general funds and can ripple into other essential services.
- **Recoupments:** Prolonged inefficiencies increase the risk of recoupment, or clawbacks, leaving jurisdictions financially vulnerable long after funds are obligated.

## The clear path forward for government grants professionals

Modernization for state and local governments means that funds need to get out faster and disbursements need to be secure and leave a clear audit trail. Achieving both requires three capabilities from grant management systems:

1. Real-time integration with existing financial systems.
2. Embedded fraud controls that work at the point of application.
3. Payment rails that reach every recipient regardless of banking status.

**Funds need to get out faster.** When federal funding pauses or terminates, states cover obligations from general funds, creating budget pressure that ripples across essential services. None of these risks negate the size and severity of community needs.

**Disbursements need to be secure and leave a clear audit trail** because federal oversight has intensified. Systems must document every decision point, validate every payee, and provide transaction-level visibility that satisfies both 2 CFR 200 requirements and agency-specific grant conditions.

## The need for speed and scale

Modern grant management systems must handle application surges without sacrificing validation rigor. Organizations achieve this either by connecting their GMS to existing enterprise resource planning (ERP) systems or by partnering with banks to originate payments directly through APIs.



### ERP-connected

State and local organizations that pay through their treasury or accounts payable stack need a GMS that passes validated, approved payee records and payment instructions to their ERP and returns status data for reconciliation and reporting. This reduces file wrangling and staff touchpoints.



### Turnkey solution via partnerships

Programs that need additional capacity should look for a GMS that partners with a major bank. This will enable program managers to **originate payments directly** from within the GMS using APIs. This eliminates file handoffs and manual reconciliation, the two biggest sources of delay and error.

Ultimately, streamlined payment processes lessen the administrative burden on small teams while enabling them to operate at the highest level of compliance and efficiency.

## Embedded fraud prevention

Fraud prevention must happen before payment approval, not during post-payment audit. Effective systems validate identity and eligibility during application review. This requires:

- Knowledge-Based Authentication (KBA) to verify applicant identity against credit bureau records.
- Identity Verification (IDV) to match submitted documents against authoritative sources.
- Pre-payment screening against federal exclusion lists (PEP, OFAC, SAM).
- Compliance checks for 2 CFR 200 financial capability and risk assessment requirements.

**Why this matters now:** Federal policy is moving decisively toward electronic payments and tighter pre-payment checks (e.g., **E.O. 14247** directs Treasury to phase out most federal paper checks by **September 30, 2025**), setting expectations that ripple to states and localities. Submittable's digital-first rails and verification options help state and local governments keep pace.

## Case in point: \$500M disbursed and \$2.2M in fraud prevented

In 2022, the State of Minnesota, working with Submittable and U.S. Bank, distributed \$500 million in bonus payments to over 1 million frontline worker recipients. The bill, signed by the governor on April 29, 2022, set an ambitious goal: get the funds into recipients' hands by October. The resulting partnership between the State of Minnesota, Submittable, and U.S. Bank demonstrated that speed and security can be achieved at a massive scale.

### Key results

- 20 business days to launch from when the governor signed the legislation.
- 1.2M applications collected and evaluated through Submittable, with 40+ applications handled per second at peak.
- A million-plus transactions originated just four months after program launch.
- 97% of approved applicants received funds within three business days, many over a single holiday weekend.
- Thousands of staff hours saved for the state by offloading application ops, payment origination, and reconciliation tasks.
- \$2.2M+ in fraud prevented through an integrated approach involving KBA and IDV with additional risk-mitigation techniques.

### RECOGNITION



Digital Services: Government to  
Citizen State IT Recognition Reward



Project of the Year for Frontline  
Worker Pay Program



Best Fintech Partnership U.S. Bank  
and Submittable



Best Bank and Fin Tech Partnership  
Banking Tech Award

## Frontline Worker Timeline



Source: [Delivering Swift Relief to Minnesota's COVID-19 Frontline Workers: Creating Value Through Digital Transformation](#)

### High-level program setup

**Submittable's grant management software provided an intuitive front-end experience** for applicants while providing the State of Minnesota with robust fraud prevention features, integrations, and admin tools.

- An eligibility check provided an initial screening, and applicants could only tie one email address to their application, heading off initial fraud risks.
- Accessibility was built in with features like screen-reader support and multi-language support, including Spanish, Hmong, and Somali.
- An appeals process was integrated to accommodate corrections from applicants.
- Drag-and-drop form builder features and workflow mapping allowed for quick setup and iteration.
- Integrations and data exports allowed the State of Minnesota to get relevant data out and send it to relevant parties, then back in for evaluation.

**U.S. Bank provided quick, secure disbursements** via API connections.

- API connections to Submittable's GMS allowed U.S. Bank to offer four payment types: ACH, checks payable, account validation services, and prepaid cards.
- U.S. Bank used ACH as the primary rail but included an intelligent fallback to paper check and prepaid card options to ensure all recipients could be paid regardless of their banking status.
- Account Validation API instantly verified account details before any payments were processed, and the Payee Token+ API secured recipient account data immediately.

**The State of Minnesota coordinated stakeholders** and connected data across departments.

- Multiple state agencies coordinated to manage the program, including the Department of Labor and Industry, Department of Revenue, and Department of Employment and Economic Development.
- The State leveraged its own data along with information from the Submittable GMS to identify fraudulent actors after the application period closed.
- The State had a defined recoup process in place to retroactively recover payments from individuals later deemed ineligible or fraudulent, demonstrating a commitment to post-payment accountability.

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## Approach to fraud prevention

**Submittable checked for fraud before and during the application process** and provided data for analysis and forensics afterward.

- Eligibility screening provided a first line of defence.
- Submission deduplication.
- KBA and IDV within the application provided deeper verification.
- Third-party integrations with Veriff checked 52 against parameters.

**U.S. Bank's APIs validated account information** before sending funds.

- Prioritized ACH for payments versus checks, which is the monetary vehicle that sees the highest amount of fraud.
- ACH Positive Pay.
- Payee Token+ API immediately secured account data.
- Placed appropriate blocks on the account based on the disbursement type.
- Account validation services for all ACH transactions verified that the account is open, active, and that the account ownership information matched the name of the recipient.
- With checks, positive pay with payee verification matched data points like payee name, date of issuance, dollar amount, and check number.
- Stale-dating actively disabled the ability to cash checks after the allowable program period.
- Tied reconciliation reports for disbursements back to the GMS for a full-circle paper/audit trail.

**The State of Minnesota ran a robust data analysis** throughout the program.

- The data analysts looked for potential indicators, including:
    - Appeals forms submitted
    - KBA and IDV results
    - Unemployment insurance
    - High-risk email domains and suspicious patterns in email addresses
    - High-risk bank routing numbers
    - UI impostor or hijacked codes
    - Duplicate bank accounts and
    - Volume of submissions in a short amount of time
    - Suspicious patterns of application data
  - The team also did a stratified random sampling of all data to verify randomly sampled applications.
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### Learn more

Watch a round-table panel with representatives from Submittable, U.S. Bank, and the State of Minnesota going deep into the details behind this Frontline Workers program. They also cover its successor, the State of Minnesota's tax rebate program, which saw 2.1M submissions and \$989M disbursed on a tighter timeline.

See the panel discussion

Watch Now →

Or visit: [submittable.com/webinars/frontline-workers](https://submittable.com/webinars/frontline-workers)

Read the case study

See the Impact →

Or visit: [submittable.com/customer-stories/us-bank](https://submittable.com/customer-stories/us-bank)



## Speed, Security, and Scale Are No Longer Mutually Exclusive

The success of the \$500M Frontline Worker Pay program in Minnesota proves that speed, security, and scale are not mutually exclusive when disbursing public funds. This integrated solution directly addresses the urgent need to modernize state and local payment processing, transforming it from an operational challenge to a proven capability.

By prioritizing digital-first rails and embedded fraud technology, government professionals can ensure funds are disbursed efficiently, securely, and equitably. You can modernize your program today.

To learn more about how Submittable can help you meet the moment, visit [submittable.com/contact-sales](https://submittable.com/contact-sales).