

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 856

(SENATE AUTHORS: GUSTAFSON, Draheim, Kreun, Putnam and Latz)
DATE D-PG OFFICIAL STATUS

| | | |
|------------|-------|--|
| 01/30/2025 | 233 | Introduction and first reading Referred to State and Local Government |
| 02/13/2025 | 353a | Comm report: To pass as amended and re-refer to Judiciary and Public Safety |
| 02/24/2025 | 525a | Comm report: To pass as amended and re-refer to Education Finance |
| 02/27/2025 | 548a | Comm report: To pass as amended and re-refer to Health and Human Services |
| 03/13/2025 | 740a | Comm report: To pass as amended and re-refer to Human Services |
| 03/17/2025 | 876a | Comm report: Amended, No recommendation, re-referred to State and Local Government |
| 03/24/2025 | 956a | Comm report: To pass as amended and re-refer to Rules and Administration |
| 03/27/2025 | 1117 | Withdrawn and re-referred to Judiciary and Public Safety |
| 04/01/2025 | 1158a | Comm report: To pass as amended and re-refer to Rules and Administration |
| 04/07/2025 | 1704a | Comm report: To pass as amended and re-refer to Finance |
| 05/07/2025 | | Comm report: To pass as amended Second reading |

1.1

A bill for an act

1.2

relating to state government; creating the Office of the Inspector General; creating

1.3

an advisory committee; requiring reports; transferring certain agency duties;

1.4

appropriating money; amending Minnesota Statutes 2024, sections 3.971, by adding

1.5

a subdivision; 15A.0815, subdivision 2; 142A.03, by adding a subdivision;

1.6

142A.12, subdivision 5; 144.05, by adding a subdivision; 245.095, subdivision 5;

1.7

256.01, by adding a subdivision; 609.456, subdivision 2; proposing coding for

1.8

new law as Minnesota Statutes, chapter 15D; repealing Minnesota Statutes 2024,

1.9

sections 13.321, subdivision 12; 127A.21.

1.10

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

1.11

ARTICLE 1

1.12

OFFICE OF THE INSPECTOR GENERAL

1.13

Section 1. Minnesota Statutes 2024, section 3.971, is amended by adding a subdivision

1.14

to read:

1.15

Subd. 3b. Public reports of fraud and misuse. Notwithstanding the classification of

1.16

data as not public, the legislative auditor must refer all reports from the public about potential

1.17

fraud or misuse, as those terms are defined in chapter 15D, to the inspector general. The

1.18

legislative auditor may coordinate reviews and investigations with the inspector general

1.19

when coordination conserves resources and does not compromise the reviews or

1.20

investigations.

1.21

Sec. 2. Minnesota Statutes 2024, section 15A.0815, subdivision 2, is amended to read:

1.22

Subd. 2. Agency head salaries. The salary for a position listed in this subdivision shall

1.23

be determined by the Compensation Council under section 15A.082. The commissioner of

- 2.1 management and budget must publish the salaries on the department's website. This
- 2.2 subdivision applies to the following positions:
- 2.3 Commissioner of administration;
- 2.4 Commissioner of agriculture;
- 2.5 Commissioner of education;
- 2.6 Commissioner of children, youth, and families;
- 2.7 Commissioner of commerce;
- 2.8 Commissioner of corrections;
- 2.9 Commissioner of health;
- 2.10 Commissioner, Minnesota Office of Higher Education;
- 2.11 Commissioner, Minnesota IT Services;
- 2.12 Commissioner, Housing Finance Agency;
- 2.13 Commissioner of human rights;
- 2.14 Commissioner of human services;
- 2.15 Commissioner of labor and industry;
- 2.16 Commissioner of management and budget;
- 2.17 Commissioner of natural resources;
- 2.18 Commissioner, Pollution Control Agency;
- 2.19 Commissioner of public safety;
- 2.20 Commissioner of revenue;
- 2.21 Commissioner of employment and economic development;
- 2.22 Commissioner of transportation;
- 2.23 Commissioner of veterans affairs;
- 2.24 Executive director of the Gambling Control Board;
- 2.25 Executive director of the Minnesota State Lottery;
- 2.26 Executive director of the Office of Cannabis Management;
- 2.27 Inspector general;

- 3.1 Commissioner of Iron Range resources and rehabilitation;
- 3.2 Commissioner, Bureau of Mediation Services;
- 3.3 Ombudsman for mental health and developmental disabilities;
- 3.4 Ombudsperson for corrections;
- 3.5 Chair, Metropolitan Council;
- 3.6 Chair, Metropolitan Airports Commission;
- 3.7 School trust lands director;
- 3.8 Executive director of pari-mutuel racing;
- 3.9 Commissioner, Public Utilities Commission;
- 3.10 Chief Executive Officer, Direct Care and Treatment; and
- 3.11 Director of the Office of Emergency Medical Services.

3.12 **Sec. 3. [15D.01] OFFICE OF THE INSPECTOR GENERAL.**

3.13 (a) The inspector general serves as an independent entity responsible for ensuring
3.14 accountability, transparency, and integrity in the operations of state agencies and programs.

3.15 (b) In exercising the inspector general's powers and duties, the inspector general is in
3.16 the executive branch and must operate independently of all state executive branch agencies
3.17 and report directly to the governor. The inspector general must not be subject to direction
3.18 or interference from any executive or legislative authority.

3.19 (c) The inspector general shall direct an Office of the Inspector General.

3.20 (d) The inspector general serves in the unclassified service.

3.21 **EFFECTIVE DATE.** This section is effective January 1, 2026.

3.22 **Sec. 4. [15D.02] DEFINITIONS.**

3.23 For the purposes of this chapter, the following terms have the meanings given:

3.24 (1) "agency program" means a program funded or administered by a state agency,
3.25 including grants and contracts;

3.26 (2) "fraud" means an intentional or deceptive act or failure to act to gain an unlawful
3.27 benefit;

4.1 (3) "investigation" means an audit, review, or inquiry conducted by the inspector general
4.2 to detect or prevent fraud or misuse;

4.3 (4) "misuse" means improper use of authority or position for personal gain or to cause
4.4 harm to others, including the improper use of public resources or programs contrary to their
4.5 intended purpose; and

4.6 (5) "personal gain" means a benefit to a person; to a person's spouse, parent, child, or
4.7 other legal dependent; or to an in-law of the person or the person's child.

4.8 **EFFECTIVE DATE.** This section is effective January 1, 2026.

4.9 Sec. 5. **[15D.03] INSPECTOR GENERAL.**

4.10 Subdivision 1. **Minimum qualifications.** (a) To be eligible to be appointed as inspector
4.11 general, a candidate must:

4.12 (1) have a bachelor's or higher degree in criminal justice, public administration, law, or
4.13 a related field;

4.14 (2) have at least ten years of professional experience in auditing, investigations, law
4.15 enforcement, or a related area;

4.16 (3) hold a professional certificate from the Association of Inspectors General, including
4.17 Certified Inspector General or Certified Inspector General Investigator; and

4.18 (4) demonstrate a commitment to safeguarding the mission of public service and provide
4.19 a public disclosure of prior professional opinions, positions, or actions that may influence
4.20 the candidate's approach to the role.

4.21 (b) Current or former commissioners, agency heads, deputy agency heads, governors,
4.22 or legislators are not eligible to serve as inspector general within five years of their service
4.23 in those roles. A person elected to an office other than the governor or legislature is not
4.24 eligible until ten years after the end of service in an elected position.

4.25 Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission will
4.26 recommend candidates for inspector general after a competitive process from among eligible
4.27 applicants for the position of inspector general. To be recommended by the commission, a
4.28 candidate must be approved for recommendation by five of the eight members of the
4.29 commission. The commission must assess eligible candidates based on qualifications,
4.30 including experience in auditing, financial analysis, public administration, law enforcement,
4.31 or related fields. The inspector general is appointed by the governor, after consideration of
4.32 recommendations from the Legislative Inspector General Advisory Commission, with

confirmation by a vote of three-fifths of the senate. Section 15.066, subdivision 3, does not apply.

Subd. 3. Term. The inspector general serves a five-year term and may be appointed to unlimited additional terms.

Subd. 4. Vacancy. The Legislative Inspector General Advisory Commission must provide recommendations to the governor for appointment to fill a vacancy in the position of the inspector general within 90 days of a vacancy occurring or within 60 days of being advised by the inspector general that a vacancy is expected to occur. The governor must appoint an inspector general within 30 days of receiving recommendations from the Legislative Inspector General Advisory Commission or within 45 days of a vacancy occurring if the advisory commission does not provide recommendations within the time allotted for recommendations under this subdivision.

Subd. 5. Disclosure. A candidate considered by the Legislative Inspector General Oversight Commission or selected for appointment by the governor must disclose all political affiliations, appointments, campaign work, or partisan activities prior to confirmation.

Subd. 6. Nonpartisanship. The inspector general, and all employees of the office, must perform duties of the office without regard to partisan preferences or influences. While serving, the inspector general, and all employees of the office, may not engage in partisan activities, campaign work, or public political speech, unless protected by the state or United States Constitution.

Subd. 7. Conflict of interest; code of ethics. The inspector general and all employees of the office are public officials for purposes of the conflict of interest and statement of economic interest requirements in chapter 10A, and are subject to the code of ethics in section 43A.38, where applicable.

Subd. 8. Removal. The inspector general may only be removed by the governor before the expiration of the term for cause after a public hearing conducted by the governor and with approval of both the senate and the house of representatives.

EFFECTIVE DATE. This section is effective January 1, 2026.

Sec. 6. [15D.04] POWERS AND DUTIES.

Subdivision 1. Authorized powers and responsibilities. The inspector general is authorized and responsible to:

(1) conduct inspections, evaluations, and investigations of state executive branch agencies and programs according to professional auditing standards to: (i) identify fraud and misuse; (ii) make recommendations for changes to programs to prevent fraud and misuse; and (iii) protect the integrity of the use of public funds, data, and systems;

(2) refer matters for civil, criminal, or administrative action to the Bureau of Criminal Apprehension, the attorney general's office, or other appropriate authorities;

(3) recommend legislative or policy changes to improve program efficiency and effectiveness;

(4) publish reports on completion of an audit or investigation summarizing findings, recommendations, and outcomes of the inspector general's activities;

(5) investigate any public or private entity that receives public funds to ensure compliance with applicable laws, proper use of funds, and adherence to program requirements;

(6) submit an annual report summarizing the work of the office to the Legislative Inspector General Advisory Commission and make the report publicly available by posting the report on the inspector general's website;

(7) alert relevant commissioners or heads of agencies when the inspector general has a reasonable suspicion that fraud or misuse is being committed, whether or not the inspector general is conducting an investigation, as provided in subdivision 3; and

(8) establish and maintain a current exclusion list in a format readily accessible to agencies that identifies each program and individual for which the inspector general has obtained a court order to freeze or cease distribution of funds or made a recommendation under clause (7) to freeze or cease distribution of funds.

Subd. 2. Relationship to powers and duties of other agencies. (a) The inspector general has authority to investigate fraud and misuse of public funds across all programs administered by state agencies.

(b) The inspector general may perform the inspector general's duties and apply the inspector general's authority without obtaining approval from another agency.

(c) The Department of Human Services has primary responsibility to investigate fraud in the Medicaid program, but the inspector general has authority to conduct independent investigations related to the Medicaid program as necessary.

7.1 (d) The Department of Children, Youth, and Families has primary responsibility to
7.2 investigate fraud in the child care assistance program, but the inspector general has authority
7.3 to conduct independent investigations related to the child care assistance program.

7.4 (e) The Department of Health has primary responsibility to investigate fraud related to
7.5 women, infants, and children (WIC) and food support programs, but the inspector general
7.6 has authority to conduct independent investigations related to WIC and food support
7.7 programs.

7.8 (f) The inspector general has concurrent authority over general compliance reviews,
7.9 information technology security audits, or administrative program integrity assessments
7.10 that are related to fraud or misuse.

7.11 (g) The inspector general must refer all reports from the public about potential fraud or
7.12 misuse to the legislative auditor, and to the commissioner of human services for reports
7.13 related to Medicaid. The inspector general may coordinate investigations with the legislative
7.14 auditor, and the commissioner of human services for investigations related to Medicaid,
7.15 when coordination conserves resources and does not compromise an investigation.

7.16 Subd. 3. **Alerting agency of issue; seeking a court order to freeze funds.** (a) If the
7.17 agency does not have primary investigative authority under subdivision 2, the inspector
7.18 general shall investigate and, if the inspector general has a reasonable suspicion that fraud
7.19 or misuse is occurring, then the inspector general may, at the inspector general's discretion,
7.20 alert the commissioner and seek a court order to freeze or stop distribution of public funds,
7.21 including any applicable due process and appeal rights, working in cooperation with the
7.22 agency where practical and where it would not jeopardize an investigation.

7.23 (b) If the agency has primary investigative authority under subdivision 2 but the inspector
7.24 general is not satisfied that the agency's internal investigation is adequate or proceeding
7.25 quickly enough, the inspector general may independently investigate and, if the inspector
7.26 general has a reasonable suspicion that fraud or misuse is being committed, may make a
7.27 recommendation to the agency to freeze or cease distribution of funds and notify the
7.28 appropriate law enforcement agencies.

7.29 (c) If a commissioner or head of an agency does not act on a recommendation to freeze
7.30 or cease distribution of funds as requested, after reasonable notice and consistent with any
7.31 applicable interagency agreements under section 17, unless prohibited by federal
7.32 requirements, the inspector general may, at the inspector general's discretion, seek a court
7.33 order to freeze or stop distribution of public funds, consistent with applicable due process
7.34 and appeal rights.

8.1 Subd. 4. **Exceptions for federal funding.** The inspector general must not comply with
8.2 any provision under this section if compliance with the provision would prevent the state
8.3 from receiving federal financial participation for the medical assistance program or result
8.4 in a lower level of coverage or reduced access to coverage for medical assistance enrollees.

8.5 **EFFECTIVE DATE.** This section is effective January 1, 2026.

8.6 Sec. 7. **[15D.042] AUXILIARY POWERS.**

8.7 Subdivision 1. **Subpoena power.** In all matters relating to official duties, the inspector
8.8 general has the powers possessed by courts of law to issue and have subpoenas served.

8.9 Subd. 2. **Inquiry and inspection power; duty to aid inspector general.** All public
8.10 officials and their deputies and employees, and all corporations, firms, and individuals
8.11 having business involving the receipt, disbursement, or custody of public funds shall at all
8.12 times:

8.13 (1) afford reasonable facilities for examinations by the inspector general;

8.14 (2) provide returns and reports required by the inspector general;

8.15 (3) attend and answer under oath the inspector general's lawful inquiries;

8.16 (4) produce and exhibit all books, accounts, documents, data of any classification, and
8.17 property that the inspector general requests to inspect; and

8.18 (5) in all things cooperate with the inspector general.

8.19 Subd. 3. **Penalties.** (a) If a person refuses or neglects to obey any lawful direction of
8.20 the inspector general, a deputy or assistant, or withholds any information, book, record,
8.21 paper or other document called for by the inspector general for the purpose of examination,
8.22 after having been lawfully required by order or subpoena, upon application by the inspector
8.23 general, a judge of the district court in the county where the order or subpoena was made
8.24 returnable shall compel obedience or punish disobedience as for contempt, as in the case
8.25 of a similar order or subpoena issued by the court.

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

8.28 Sec. 8. **[15D.043] IDENTIFICATION OF FRAUD REPORTING TOOL.**

8.29 (a) The commissioner or other chief executive officer of each agency must prominently
8.30 highlight on the agency's website the fraud reporting tools administered by the Office of
8.31 the Inspector General and the Office of the Legislative Auditor under chapter 3.

(b) As part of any grant agreement between the state and a nonprofit organization, the agreement must require the nonprofit organization to prominently highlight on the organization's website the fraud reporting tools administered by the Office of the Inspector General, under chapter 15, and the Office of the Legislative Auditor, under chapter 3. The state agency administering the grant must regularly confirm and document the organization's compliance with the requirement under this paragraph for the life of the grant agreement.

Sec. 9. **[15D.046] DATA PRACTICES.**

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

(b) "Confidential data on individuals" has the meaning given in section 13.02, subdivision 3.

(c) "Government entity" has the meaning given in section 13.02, subdivision 7a.

(d) "Nonpublic data" has the meaning given in section 13.02, subdivision 9.

(e) "Not public data" has the meaning given in section 13.02, subdivision 8a.

(f) "Private data on individuals" has the meaning given in section 13.02, subdivision 12.

(g) "Protected nonpublic data" has the meaning given in section 13.02, subdivision 13.

Subd. 2. Government Data Practices Act. The inspector general is a government entity and is subject to the Government Data Practices Act, chapter 13.

Subd. 3. Access. In order to perform the duties authorized by this chapter, the inspector general shall have access to data of any classification, including data classified as not public data. It is not a violation of chapter 13 or any other statute classifying government data as not public data if a government entity provides data pursuant to a subpoena issued under this chapter.

Subd. 4. Dissemination. The inspector general may disseminate data of any classification, including not public data, to:

(1) a government entity, other than a law enforcement agency or prosecuting authority, if the dissemination of the data aids a pending investigation or administrative action;

(2) a law enforcement agency or prosecuting authority if there is reason to believe that the data are evidence of criminal activity within the agency's or authority's jurisdiction; or

(3) the legislative auditor or commissioner of human services as provided in section 15D.04, subdivision 2, paragraph (g).

10.1 Subd. 5. Data classifications. (a) Notwithstanding any other law, data relating to an
10.2 investigation conducted under this chapter are confidential data on individuals or protected
10.3 nonpublic data while the investigation is active. Whether an investigation is active shall be
10.4 determined by the inspector general.

10.5 (b) Data relating to an investigation conducted under this chapter become public data
10.6 upon the inspector general's completion of the investigation, unless:

10.7 (1) the release of the data would jeopardize another active investigation by the inspector
10.8 general or another government entity;

10.9 (2) the inspector general reasonably believes the data will be used in litigation related
10.10 to any civil, criminal, or administrative actions, including reconsideration or appeal of any
10.11 such action; or

10.12 (3) the data are classified as not public under another statute or paragraph (e).

10.13 (c) Data subject to paragraph (b), clause (2), are confidential data on individuals or
10.14 protected nonpublic data and become public when the litigation has been completed or the
10.15 time period to appeal has expired, or the litigation is no longer being actively pursued.

10.16 (d) Unless the data are subject to a more restrictive classification, upon the inspector
10.17 general's decision to no longer actively pursue an investigation under this chapter, data
10.18 relating to an investigation are private data on individuals or nonpublic data except the
10.19 following data are public:

10.20 (1) data relating to the investigation's general description, existence, status, and
10.21 disposition; and

10.22 (2) data that document the inspector general's work.

10.23 (e) Inactive investigative data on an individual supplying information for an investigation
10.24 that could reasonably be used to determine the individual's identity are private data on
10.25 individuals if the information supplied was needed for the investigation and would not have
10.26 been provided to the inspector general without an assurance to the individual that the
10.27 individual's identity would remain private.

10.28 (f) Data relating to an investigation conducted under this chapter that are obtained from
10.29 an entity that is not a government entity have the same classification that the data would
10.30 have if obtained from a government entity.

Subd. 6. **Privileges.** Nothing in this section or section 15D.042 requires the disclosure of documents or information that is legally privileged under statute or other law, including documents or information subject to section 13.393 or 595.02.

Sec. 10. **[15D.05] RESOURCES.**

Subdivision 1. **Staff.** (a) The inspector general may hire and manage staff as necessary and in accordance with chapter 43A. The inspector general must employ at least two individuals with experience in criminal investigations to serve as investigators for the office. To the extent the inspector general deems advisable, these individuals must have previous experience in complex investigations as law enforcement officers. Except for the inspector general, the staff in the Office of the Inspector General shall serve in the classified civil service. Except as provided in paragraph (b), compensation for employees of the inspector general in the classified service who are represented by an exclusive representative shall be governed by a collective bargaining agreement negotiated between the commissioner of management and budget and the exclusive representative. Compensation for employees of the inspector general in the classified service who are not represented by an exclusive representative shall be as provided in the commissioner's plan under section 43A.18, subdivision 2.

(b) Section 15.039, subdivision 7, applies to employees transferred into the Office of the Inspector General from other offices of inspectors general within the first year following enactment of chapter 15D.

Subd. 2. **Contracting.** The inspector general may contract with external experts to support the work of the office, subject to section 16C.08.

EFFECTIVE DATE. This section is effective January 1, 2026.

Sec. 11. **[15D.06] REPORTING AND TRANSPARENCY.**

Subdivision 1. **Reports.** The inspector general must issue public reports detailing completed audits, investigations, and corrective actions taken.

Subd. 2. **Public tips.** The inspector general must maintain a phone line and website for reporting fraud and misuse that allows the person making the report to remain anonymous.

Subd. 3. **Report; inactive investigations.** By December 1, 2026, and each December 1 thereafter, the inspector general must submit a report to the legislative auditor and the chairs and ranking minority members of the legislative committees with jurisdiction over state government and data practices regarding all investigations the inspector general did

12.1 not open after receiving a tip or complaint or decided to no longer actively pursue for the
12.2 preceding calendar year. The report must include, at a minimum, summary data as defined
12.3 in section 13.02, subdivision 19, for:

12.4 (1) all complaints or tips received;

12.5 (2) the type of allegation;

12.6 (3) if the complaint or tip was not frivolous, the reason that the inspector general did
12.7 not open an investigation or decided to no longer pursue the investigation; and

12.8 (4) referrals to other agencies or the legislative auditor.

12.9 **EFFECTIVE DATE.** This section is effective January 1, 2026.

12.10 Sec. 12. **[15D.07] PROFESSIONAL STANDARDS AND REVIEW.**

12.11 (a) The inspector general's activities must adhere to professional standards as promulgated
12.12 by the Association of Inspectors General or other recognized bodies.

12.13 (b) The governor may contract for an external quality assurance review of the inspector
12.14 general every three years and must make findings from the review public.

12.15 **EFFECTIVE DATE.** This section is effective January 1, 2026.

12.16 Sec. 13. **[15D.08] LEGISLATIVE INSPECTOR GENERAL ADVISORY**
12.17 **COMMISSION.**

12.18 Subdivision 1. **Membership.** The Legislative Inspector General Advisory Commission
12.19 is comprised of:

12.20 (1) two senators appointed by the majority leader of the senate;

12.21 (2) two senators appointed by the minority leader of the senate;

12.22 (3) two members of the house of representatives appointed by the speaker of the house
12.23 of representatives; and

12.24 (4) two members of the house of representatives appointed by the minority leader of the
12.25 house of representatives.

12.26 Subd. 2. **Terms.** Members serve at the pleasure of their appointing authorities and each
12.27 member serves until a replacement is appointed.

13.1 Subd. 3. **Chair.** The commission must select a chair after consideration of its members
 13.2 by January 31 of each odd-numbered year. The chair shall serve until a successor is elected.
 13.3 The chair must alternate biennially between the senate and the house of representatives.

13.4 Subd. 4. **Duties.** The Legislative Inspector General Advisory Commission must:

13.5 (1) consider applicants for and make recommendations to the governor for the position
 13.6 of inspector general; and

13.7 (2) may conduct hearings to review the work of the inspector general to ensure
 13.8 impartiality, independence, and effectiveness.

13.9 Subd. 5. **Per diem; expense reimbursement.** Members may be compensated for time
 13.10 spent on commission duties and may be reimbursed for expenses according to the rules of
 13.11 their respective bodies.

13.12 Subd. 6. **Meeting space; staff.** The Legislative Coordinating Commission must provide
 13.13 meeting space and staff to assist the commission in performing its duties.

13.14 Subd. 7. **Open meetings.** The Legislative Inspector General Advisory Commission is
 13.15 subject to the requirements in section 3.055.

13.16 **EFFECTIVE DATE.** This section is effective the day following final enactment. The
 13.17 commission must submit recommendations for an inspector general by January 1, 2026.

13.18 Sec. 14. Minnesota Statutes 2024, section 609.456, subdivision 2, is amended to read:

13.19 Subd. 2. **Legislative auditor and inspector general.** Whenever an employee or officer
 13.20 of the state, University of Minnesota, or other organization listed in section 3.971, subdivision
 13.21 6, discovers evidence of fraud, theft, embezzlement, or other unlawful use of public funds
 13.22 or property, the employee or officer shall, ~~except when to do so would knowingly impede~~
 13.23 ~~or otherwise interfere with an ongoing criminal investigation,~~ promptly report in writing to
 13.24 the legislative auditor or inspector general a detailed description of the alleged incident or
 13.25 incidents.

13.26 Sec. 15. **OFFICE OF THE INSPECTOR GENERAL ESTABLISHMENT AND**
 13.27 **TRANSITION.**

13.28 Subdivision 1. **Appointment.** Notwithstanding Minnesota Statutes, section 15D.03,
 13.29 subdivision 4, by January 1, 2026, the Legislative Inspector General Advisory Commission
 13.30 must make recommendations for appointment of an inspector general under Minnesota

14.1 Statutes, section 15D.03. By February 1, 2026, the governor must appoint an inspector
14.2 general from among the recommended candidates.

14.3 Subd. 2. **Operational.** By September 1, 2026, the Office of the Inspector General must
14.4 be fully operational.

14.5 Subd. 3. **Transition of employees.** (a) Before September 1, 2026, all officers and
14.6 employees employed in an office of inspector general for a state agency shall transition to
14.7 employment under the Office of the Inspector General under Minnesota Statutes, chapter
14.8 15D, except as specified in subdivision 6.

14.9 (b) The following protections shall apply to employees who are transferred to the Office
14.10 of the Inspector General under Minnesota Statutes, chapter 15D, from state agencies:

14.11 (1) no transferred employee shall have their employment status and job classification
14.12 altered as a result of the transfer;

14.13 (2) transferred employees who were represented by an exclusive representative prior to
14.14 the transfer shall continue to be represented by the same exclusive representative after the
14.15 transfer;

14.16 (3) any applicable collective bargaining agreements with exclusive representatives shall
14.17 continue in full force and effect for transferred employees after the transfer while the
14.18 agreement remains in effect;

14.19 (4) when an employee in a temporary unclassified position is transferred to the Office
14.20 of the Inspector General, the total length of time that the employee has served in the
14.21 appointment must include all time served in the appointment at the transferring agency and
14.22 the time served in the appointment at the Office of the Inspector General. An employee in
14.23 a temporary unclassified position who was hired by a transferring agency through an open
14.24 competitive selection process under a policy enacted by the commissioner of management
14.25 and budget is considered to have been hired through a competitive selection process after
14.26 the transfer;

14.27 (5) the state must meet and negotiate with the exclusive representatives of the transferred
14.28 employees about proposed changes to the transferred employees' terms and conditions of
14.29 employment to the extent that the proposed changes are not addressed in the applicable
14.30 collective bargaining agreement; and

14.31 (6) if the state transfers ownership or control of any facilities, services, or operations of
14.32 the Office of the Inspector General to another private or public entity by subcontracting,

15.1 sale, assignment, lease, or other transfer, the state must require as a written condition of the
15.2 transfer of ownership or control the following:

15.3 (i) employees who perform work in the facilities, services, or operations must be offered
15.4 employment with the entity acquiring ownership or control before the entity offers
15.5 employment to any individual who was not employed by the transferring agency at the time
15.6 of the transfer; and

15.7 (ii) the wage and benefit standards of the transferred employees must not be reduced by
15.8 the entity acquiring ownership or control through the expiration of the collective bargaining
15.9 agreement in effect at the time of the transfer or for a period of two years after the transfer,
15.10 whichever is longer.

15.11 There is no liability on the part of, and no cause of action arises against, the state of
15.12 Minnesota or its officers or agents for any action or inaction of any entity acquiring ownership
15.13 or control of any facilities, services, or operations of the department.

15.14 Subd. 4. **Assets.** Before September 1, 2026, assets and unused appropriations for existing
15.15 offices of inspectors general shall be transferred to the Office of the Inspector General under
15.16 Minnesota Statutes, chapter 15D, except as specified in subdivision 6.

15.17 Subd. 5. **Office space.** The commissioner of administration must provide office space
15.18 on the Capitol Mall complex for the Office of the Inspector General under Minnesota
15.19 Statutes, chapter 15D, under a rental agreement.

15.20 Subd. 6. **Exceptions.** (a) Positions, and assets and unused appropriations related to these
15.21 positions, in the Department of Human Services will not transfer to the Office of the Inspector
15.22 General.

15.23 (b) No employees or positions in the Department of Corrections are transferred under
15.24 this section.

15.25 (c) No employees or positions in the student maltreatment program of the Department
15.26 of Education or other Department of Education employees or positions dedicated to student
15.27 maltreatment investigations under Minnesota Statutes, chapter 260E, are transferred under
15.28 this section.

15.29 (d) No employees or positions in the Department of Children, Youth, and Families will
15.30 transfer to the Office of the Inspector General.

15.31 **EFFECTIVE DATE.** This section is effective January 1, 2026.

16.1 Sec. 16. **LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION;**
16.2 **INITIAL APPOINTMENTS AND FIRST MEETING.**

16.3 Subdivision 1. **Initial appointments.** Appointing authorities must make appointments
16.4 to the Legislative Inspector General Advisory Commission by August 1, 2025.

16.5 Subd. 2. **First meeting.** The senate majority leader must designate one member of the
16.6 Legislative Inspector General Advisory Commission to convene the first meeting of the
16.7 Legislative Inspector General Advisory Commission by September 15, 2025.

16.8 Subd. 3. **Chair.** The Legislative Inspector General Advisory Commission must elect a
16.9 chair from among its senate members at its first meeting. The first chair shall serve until a
16.10 successor is selected at the start of the next biennium as provided in Minnesota Statutes,
16.11 section 15D.08, subdivision 3.

16.12 Sec. 17. **INTERAGENCY AGREEMENTS.**

16.13 (a) By December 31, 2026, the Office of the Inspector General must enter into an
16.14 interagency agreement with the Department of Human Services. The agreement must not
16.15 preclude the agency from performing, or give the inspector general authority to take actions
16.16 that would interfere with the agency's ability to perform, duties required as a condition for
16.17 securing or maintaining federal funding. The interagency agreement must include a clause
16.18 on cost-sharing for investigations that may require multiagency coordination and a clause
16.19 that details what process will be followed if a joint investigation is required. The interagency
16.20 agreement must not limit the inspector general's authority or authorized powers and
16.21 responsibilities. The agency and the inspector general may coordinate investigative efforts
16.22 as necessary or practical, but an interagency agreement must not diminish, delay, or restrict
16.23 the inspector general's ability to investigate fraud and misuse when an independent
16.24 investigation is pursued.

16.25 (b) By December 31, 2026, the Office of the Inspector General must enter into an
16.26 interagency agreement with the Department of Children, Youth, and Families. The
16.27 interagency agreement must include a clause on cost-sharing for investigations that may
16.28 require multiagency coordination and a clause that details what process will be followed if
16.29 a joint investigation is required. The interagency agreement must not limit the inspector
16.30 general's authority or authorized powers and responsibilities. The agency and the inspector
16.31 general may coordinate investigative efforts as necessary or practical, but an interagency
16.32 agreement must not diminish, delay, or restrict the inspector general's ability to investigate
16.33 fraud and misuse when an independent investigation is pursued.

Sec. 18. **APPROPRIATIONS.**

(a) \$644,000 in fiscal year 2026 and \$430,000 in fiscal year 2027 are appropriated from the general fund to the commissioner of administration to establish the Office of the Inspector General. This is a onetime appropriation.

(b) \$3,034,000 in fiscal year 2026 and \$4,432,000 in fiscal year 2027 are appropriated from the general fund to the Office of the Inspector General for purposes of this act. The base for this appropriation is \$4,439,000 in fiscal year 2028 and \$4,474,000 in fiscal year 2029 and each fiscal year thereafter. The commissioner of administration, in consultation with the commissioner of management and budget, may transfer amounts in fiscal year 2026 to the commissioner of administration for office build out, cost of space, office equipment, and other costs directly related to the establishment of the office.

ARTICLE 2

CONFORMING ITEMS AND REPEALERS

Section 1. Minnesota Statutes 2024, section 142A.03, is amended by adding a subdivision to read:

Subd. 35. **Office of the Inspector General; reports.** The commissioner must submit final investigative reports to the inspector general, serving under section 15D.01, for any investigation conducted by the commissioner into fraud or misuse, as defined in section 15D.02, within the child care assistance program.

Sec. 2. Minnesota Statutes 2024, section 142A.12, subdivision 5, is amended to read:

Subd. 5. Withholding of payments. (a) Except as otherwise provided by state or federal law, the commissioner may withhold payments to a provider, vendor, individual, associated individual, or associated entity in any program administered by the commissioner if the commissioner determines there is a credible allegation of fraud for which an investigation is pending for a program administered by a Minnesota state or federal agency.

(b) For purposes of this subdivision, "credible allegation of fraud" means an allegation that has been verified by the commissioner from any source, including but not limited to:

(1) fraud hotline complaints;

(2) claims data mining;

(3) patterns identified through provider audits, civil false claims cases, and law enforcement investigations; and

18.1 (4) court filings and other legal documents, including but not limited to police reports,
18.2 complaints, indictments, informations, affidavits, declarations, and search warrants; and

18.3 (5) information from the inspector general, including information listed on the inspector
18.4 general's exclusion list under section 15D.04, subdivision 1, clause (8).

18.5 (c) The commissioner must send notice of the withholding of payments within five days
18.6 of taking such action. The notice must:

18.7 (1) state that payments are being withheld according to this subdivision;

18.8 (2) set forth the general allegations related to the withholding action, except the notice
18.9 need not disclose specific information concerning an ongoing investigation;

18.10 (3) state that the withholding is for a temporary period and cite the circumstances under
18.11 which the withholding will be terminated; and

18.12 (4) inform the provider, vendor, individual, associated individual, or associated entity
18.13 of the right to submit written evidence to contest the withholding action for consideration
18.14 by the commissioner.

18.15 (d) If the commissioner withholds payments under this subdivision, the provider, vendor,
18.16 individual, associated individual, or associated entity has a right to request administrative
18.17 reconsideration. A request for administrative reconsideration must be made in writing, state
18.18 with specificity the reasons the payment withholding decision is in error, and include
18.19 documents to support the request. Within 60 days from receipt of the request, the
18.20 commissioner shall judiciously review allegations, facts, evidence available to the
18.21 commissioner, and information submitted by the provider, vendor, individual, associated
18.22 individual, or associated entity to determine whether the payment withholding should remain
18.23 in place.

18.24 (e) The commissioner shall stop withholding payments if the commissioner determines
18.25 there is insufficient evidence of fraud by the provider, vendor, individual, associated
18.26 individual, or associated entity or when legal proceedings relating to the alleged fraud are
18.27 completed, unless the commissioner has sent notice under subdivision 3 to the provider,
18.28 vendor, individual, associated individual, or associated entity.

18.29 (f) The withholding of payments is a temporary action and is not subject to appeal under
18.30 section 256.0451 or chapter 14.

19.1 Sec. 3. Minnesota Statutes 2024, section 144.05, is amended by adding a subdivision to
19.2 read:

19.3 Subd. 9. **Office of the Inspector General; reports.** The commissioner must submit
19.4 final investigative reports to the inspector general serving under section 15D.01 for any
19.5 investigation conducted by the commissioner into fraud or misuse, as defined in section
19.6 15D.02, within the special supplemental nutrition program for women, infants, and children.

19.7 Sec. 4. Minnesota Statutes 2024, section 245.095, subdivision 5, is amended to read:

19.8 Subd. 5. **Withholding of payments.** (a) Except as otherwise provided by state or federal
19.9 law, the commissioner may withhold payments to a provider, vendor, individual, associated
19.10 individual, or associated entity in any program administered by the commissioner if the
19.11 commissioner determines there is a credible allegation of fraud for which an investigation
19.12 is pending for a program administered by a Minnesota state or federal agency.

19.13 (b) For purposes of this subdivision, "credible allegation of fraud" means an allegation
19.14 that has been verified by the commissioner from any source, including but not limited to:

19.15 (1) fraud hotline complaints;

19.16 (2) claims data mining;

19.17 (3) patterns identified through provider audits, civil false claims cases, and law
19.18 enforcement investigations; ~~and~~

19.19 (4) court filings and other legal documents, including but not limited to police reports,
19.20 complaints, indictments, informations, affidavits, declarations, and search warrants; and

19.21 (5) information from the inspector general, including information listed on the inspector
19.22 general's exclusion list under section 15D.04, subdivision 1, clause (8).

19.23 (c) The commissioner must send notice of the withholding of payments within five days
19.24 of taking such action. The notice must:

19.25 (1) state that payments are being withheld according to this subdivision;

19.26 (2) set forth the general allegations related to the withholding action, except the notice
19.27 need not disclose specific information concerning an ongoing investigation;

19.28 (3) state that the withholding is for a temporary period and cite the circumstances under
19.29 which the withholding will be terminated; and

(4) inform the provider, vendor, individual, associated individual, or associated entity of the right to submit written evidence to contest the withholding action for consideration by the commissioner.

(d) If the commissioner withholds payments under this subdivision, the provider, vendor, individual, associated individual, or associated entity has a right to request administrative reconsideration. A request for administrative reconsideration must be made in writing, state with specificity the reasons the payment withholding decision is in error, and include documents to support the request. Within 60 days from receipt of the request, the commissioner shall judiciously review allegations, facts, evidence available to the commissioner, and information submitted by the provider, vendor, individual, associated individual, or associated entity to determine whether the payment withholding should remain in place.

(e) The commissioner shall stop withholding payments if the commissioner determines there is insufficient evidence of fraud by the provider, vendor, individual, associated individual, or associated entity or when legal proceedings relating to the alleged fraud are completed, unless the commissioner has sent notice under subdivision 3 to the provider, vendor, individual, associated individual, or associated entity.

(f) The withholding of payments is a temporary action and is not subject to appeal under section 256.045 or chapter 14.

Sec. 5. Minnesota Statutes 2024, section 256.01, is amended by adding a subdivision to read:

Subd. 44. **Office of the Inspector General; reports.** The commissioner must submit final investigative reports to the inspector general, serving under section 15D.01, for any investigation conducted by the commissioner into fraud or misuse, as defined in section 15D.02, within the Medicaid program.

Sec. 6. **EXISTING DUTIES ABOLISHED; TRANSFERS PROVIDED.**

Subdivision 1. **Duties abolished.** Except as exempted in article 1, section 15, subdivision 6, and Minnesota Statutes, section 15D.04, subdivision 2, duties pertaining to the investigation of fraud, misuse, and other unlawful use of public funds in the Office of Inspector General in the Department of Education are abolished effective the day after the inspector general under Minnesota Statutes, section 15D.01, certifies in writing to the commissioner of the respective department and the commissioner of management and budget that the inspector general has assumed responsibility for these duties.

21.1 Subd. 2. **Inspector general transfers.** Pursuant to Minnesota Statutes, section 15.039,
21.2 all active investigations, obligations, court actions, contracts, and records shall transfer from
21.3 the department in subdivision 1 to the inspector general under Minnesota Statutes, section
21.4 15D.01, except as provided by the inspector general and as provided in article 1, section
21.5 15, subdivision 6, and Minnesota Statutes, section 15D.04, subdivision 2.

21.6 **EFFECTIVE DATE.** This section is effective July 1, 2025.

21.7 Sec. 7. **REPEALER.**

21.8 Minnesota Statutes 2024, sections 13.321, subdivision 12; and 127A.21, are repealed.

21.9 **EFFECTIVE DATE.** This section is effective the day after the inspector general under
21.10 Minnesota Statutes, section 15D.01, notifies the revisor of statutes that the Office of the
21.11 Inspector General under Minnesota Statutes, section 15D.01, has assumed responsibility
21.12 for identifying and investigating fraud, misuse, and other unlawful use of public funds in
21.13 the Department of Education.

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ARTICLE 2 CONFORMING ITEMS AND REPEALERS..... Page.Ln 17.12

13.321 PREKINDERGARTEN TO GRADE 12 EDUCATIONAL DATA CODED ELSEWHERE.

Subd. 12. **Office of the Inspector General; access to data.** Data involving the Department of Education's Office of the Inspector General are governed by section 127A.21.

127A.21 OFFICE OF THE INSPECTOR GENERAL.

Subdivision 1. **Establishment of Office of the Inspector General; powers; duties.** The commissioner must establish within the department an Office of the Inspector General. The inspector general shall report directly to the commissioner. The Office of the Inspector General is charged with protecting the integrity of the department and the state by detecting and preventing fraud, waste, and abuse in department programs. The Office of the Inspector General must conduct independent and objective investigations to promote the integrity of the department's programs and operations. When fraud or other misuse of public funds is detected, the Office of the Inspector General must report it to the appropriate law enforcement entity and collaborate and cooperate with law enforcement to assist in the investigation and any subsequent civil and criminal prosecution.

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

(b) "Abuse" means actions that may, directly or indirectly, result in unnecessary costs to department programs. Abuse may involve paying for items or services when there is no legal entitlement to that payment.

(c) "Department program" means a program funded by the Department of Education that involves the transfer or disbursement of public funds or other resources to a program participant. "Department program" includes state and federal aids or grants received by a school district or charter school or other program participant.

(d) "Fraud" means an intentional or deliberate act to deprive another of property or money or to acquire property or money by deception or other unfair means. Fraud includes intentionally submitting false information to the department for the purpose of obtaining a greater compensation or benefit than that to which the person is legally entitled. Fraud also includes failure to correct errors in the maintenance of records in a timely manner after a request by the department.

(e) "Investigation" means an audit, investigation, proceeding, or inquiry by the Office of the Inspector General related to a program participant in a department program.

(f) "Program participant" means any entity or person, including associated persons, that receives, disburses, or has custody of funds or other resources transferred or disbursed under a department program.

(g) "Waste" means practices that, directly or indirectly, result in unnecessary costs to department programs, such as misusing resources.

(h) For purposes of this section, neither "fraud," "waste," nor "abuse" includes decisions on instruction, curriculum, personnel, or other discretionary policy decisions made by a school district, charter school, cooperative unit as defined by section 123A.24, subdivision 2, or any library, library system, or library district defined in section 134.001.

Subd. 2. **Hiring; reporting; procedures.** (a) The commissioner, or the commissioner's designee, must hire an inspector general to lead the Office of the Inspector General. The inspector general must hire a deputy inspector general and, at the discretion of the inspector general, sufficient assistant inspectors general to carry out the duties of the office. The inspector general, deputy inspector general, and any assistant inspectors general serve in the classified service.

(b) In a form and manner determined by the inspector general, the Office of the Inspector General must develop a public platform for the public to report instances of potential fraud, waste, or abuse of public funds administered by the department. Nothing in this paragraph shall be construed to give a member of the public standing to sue based on allegations of fraud, waste, or abuse.

(c) The inspector general shall establish procedures for conducting investigations. Procedures adopted under this subdivision are not subject to chapter 14, including section 14.386.

Subd. 3. **Subpoenas.** (a) For the purpose of an investigation, the inspector general or a designee may administer oaths and affirmations, subpoena witnesses, compel attendance, take evidence, and issue subpoenas duces tecum to require the production of books, papers, correspondence, memoranda, agreements, financial records, or other documents or records relevant to the investigation.

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(b) A subpoena issued pursuant to this subdivision must state that the subpoena recipient may not disclose the fact that the subpoena was issued or the fact that the requested records have been given to the inspector general, or their staff, except:

- (1) in so far as the disclosure is necessary to find and disclose the records;
- (2) pursuant to court order; or
- (3) to legal counsel for the purposes of responding to the subpoena.

(c) The fees for service of a subpoena must be paid in the same manner as prescribed by law for a service of process issued by a district court.

(d) The subpoena issued under this subdivision shall be enforceable through the district court in the district where the subpoena is issued.

Subd. 4. **Access to records.** (a) For purposes of an investigation, and regardless of the data's classification under chapter 13, the Office of the Inspector General shall have access to all relevant books, accounts, documents, data, and property related to department programs that are maintained by a program participant, charter school, or government entity as defined by section 13.02.

(b) Notwithstanding paragraph (a), the Office of the Inspector General must issue a subpoena under subdivision 3 in order to access routing and account numbers to which Department of Education funds have been disbursed.

(c) Records requested by the Office of the Inspector General under this subdivision shall be provided in a format, place, and time frame reasonably requested by the Office of the Inspector General.

(d) The department may enter into specific agreements with other state agencies related to records requests by the Office of the Inspector General.

Subd. 5. **Sanctions; appeal.** (a) This subdivision does not authorize any sanction that reduces, pauses, or otherwise interrupts state or federal aid to a school district, charter school, cooperative unit as defined by section 123A.24, subdivision 2, or any library, library system, or library district defined in section 134.001.

(b) The inspector general may recommend that the commissioner impose appropriate temporary sanctions, including withholding of payments under the department program, on a program participant pending an investigation by the Office of the Inspector General if:

(1) during the course of an investigation, the Office of the Inspector General finds credible indicia of fraud, waste, or abuse by the program participant;

(2) there has been a criminal, civil, or administrative adjudication of fraud, waste, or abuse against the program participant in Minnesota or in another state or jurisdiction;

(3) the program participant was receiving funds under any contract or registered in any program administered by another Minnesota state agency, a government agency in another state, or a federal agency, and was excluded from that contract or program for reasons credibly indicating fraud, waste, or abuse by the program participant; or

(4) the program participant has a pattern of noncompliance with an investigation.

(c) If an investigation finds, by a preponderance of the evidence, fraud, waste, or abuse by a program participant, the inspector general may, after reviewing all facts and evidence and when acting judiciously on a case-by-case basis, recommend that the commissioner impose appropriate sanctions on the program participant.

(d) Unless prohibited by law, the commissioner has the authority to implement recommendations by the inspector general, including imposing appropriate sanctions, temporarily or otherwise, on a program participant. Sanctions may include ending program participation, stopping disbursement of funds or resources, monetary recovery, and termination of department contracts with the participant for any current or future department program or contract. A sanction may be imposed for up to the longest period permitted by state or federal law. Sanctions authorized under this subdivision are in addition to other remedies and penalties available under law.

(e) If the commissioner imposes sanctions on a program participant under this subdivision, the commissioner must notify the participant in writing within seven business days of imposing the sanction, unless requested in writing by a law enforcement agency to temporarily delay issuing the

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notice to prevent disruption of an ongoing law enforcement agency investigation. A notice of sanction must state:

- (1) the sanction being imposed;
- (2) the general allegations that form the basis for the sanction;
- (3) the duration of the sanction;
- (4) the department programs to which the sanction applies; and
- (5) how the program participant may appeal the sanction pursuant to paragraph (e).

(f) A program participant sanctioned under this subdivision may, within 30 days after the date the notice of sanction was mailed to the participant, appeal the determination by requesting in writing that the commissioner initiate a contested case proceeding under chapter 14. The scope of any contested case hearing is limited to the sanction imposed under this subdivision. An appeal request must specify with particularity each disputed item, the reason for the dispute, and must include the name and contact information of the person or entity that may be contacted regarding the appeal.

(g) The commissioner shall lift sanctions imposed under this subdivision if the Office of the Inspector General determines there is insufficient evidence of fraud, waste, or abuse by the program participant. The commissioner must notify the participant in writing within seven business days of lifting the sanction.

Subd. 6. Data practices. (a) It is not a violation of rights conferred by chapter 13 or any other statute related to the confidentiality of government data for a government entity as defined in section 13.02 to provide data or information under this section.

(b) The inspector general is subject to the Government Data Practices Act, chapter 13, and shall protect from unlawful disclosure data classified as not public. Data collected, created, received, or maintained by the inspector general relating to an audit, investigation, proceeding, or inquiry are subject to section 13.39.

Subd. 7. Retaliation, interference prohibited. (a) An employee or other individual who discloses information to the Office of the Inspector General about fraud, waste, or abuse in department programs is protected under section 181.932, governing disclosure of information by employees.

(b) No state employee may interfere with or obstruct an investigation authorized by this section.