

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		Comm report: To pass as amended and re-refer to Human Services

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; 256.01,

1.6

by adding a subdivision; proposing coding for new law as Minnesota Statutes,

1.7

chapter 15D; repealing Minnesota Statutes 2024, sections 13.321, subdivision 12;

1.8

127A.21.

1.9

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

1.10

ARTICLE 1

1.11

OFFICE OF THE INSPECTOR GENERAL

1.12

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

1.13

to read:

1.14

Subd. 3b. Public reports of fraud and misuse. The legislative auditor must refer all

1.15

reports from the public about potential fraud or misuse, as those terms are defined in chapter

1.16

15D, to the inspector general.

1.17

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

1.18

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

1.19

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

1.20

management and budget must publish the salaries on the department's website. This

1.21

subdivision applies to the following positions:

1.22

Commissioner of administration;

1.23

Commissioner of agriculture;

- 2.1 Commissioner of education;
- 2.2 Commissioner of children, youth, and families;
- 2.3 Commissioner of commerce;
- 2.4 Commissioner of corrections;
- 2.5 Commissioner of health;
- 2.6 Commissioner, Minnesota Office of Higher Education;
- 2.7 Commissioner, Minnesota IT Services;
- 2.8 Commissioner, Housing Finance Agency;
- 2.9 Commissioner of human rights;
- 2.10 Commissioner of human services;
- 2.11 Commissioner of labor and industry;
- 2.12 Commissioner of management and budget;
- 2.13 Commissioner of natural resources;
- 2.14 Commissioner, Pollution Control Agency;
- 2.15 Commissioner of public safety;
- 2.16 Commissioner of revenue;
- 2.17 Commissioner of employment and economic development;
- 2.18 Commissioner of transportation;
- 2.19 Commissioner of veterans affairs;
- 2.20 Executive director of the Gambling Control Board;
- 2.21 Executive director of the Minnesota State Lottery;
- 2.22 Executive director of the Office of Cannabis Management;
- 2.23 Inspector general;
- 2.24 Commissioner of Iron Range resources and rehabilitation;
- 2.25 Commissioner, Bureau of Mediation Services;
- 2.26 Ombudsman for mental health and developmental disabilities;
- 2.27 Ombudsperson for corrections;

- 3.1 Chair, Metropolitan Council;
- 3.2 Chair, Metropolitan Airports Commission;
- 3.3 School trust lands director;
- 3.4 Executive director of pari-mutuel racing;
- 3.5 Commissioner, Public Utilities Commission;
- 3.6 Chief Executive Officer, Direct Care and Treatment; and
- 3.7 Director of the Office of Emergency Medical Services.

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

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

3.11 (b) The inspector general must operate independently of all state executive branch
3.12 agencies and report directly to the chief administrative law judge under chapter 14. The
3.13 inspector general must not be subject to direction or interference from any executive or
3.14 legislative authority, other than the chief administrative law judge.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.16 (b) Current or former commissioners, agency heads, or deputy agency heads are not
4.17 eligible to serve as inspector general within five years of their service in those roles.

4.18 Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission will
4.19 recommend candidates for inspector general after a competitive process from among eligible
4.20 applicants for the position of inspector general. To be recommended by the commission, a
4.21 candidate must be approved for recommendation by five of the eight members of the
4.22 commission. The commission must assess eligible candidates based on qualifications,
4.23 including experience in auditing, financial analysis, public administration, law enforcement,
4.24 or related fields. The chief judge of the Office of Administrative Hearings will appoint an
4.25 inspector general from the recommendations provided by the Legislative Inspector General
4.26 Advisory Commission.

4.27 Subd. 3. **Term.** The inspector general serves a five-year term and may be appointed to
4.28 two terms. The inspector general may only be removed for cause by the chief judge of the
4.29 Office of Administrative Hearings.

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

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

5.2 Subdivision 1. Authorized powers and responsibilities. Except as provided under
5.3 subdivision 2, the inspector general is authorized and responsible for:

5.4 (1) conducting inspections, evaluations, and investigations of state executive branch
5.5 agencies and programs according to professional auditing standards to: (i) identify fraud;
5.6 (ii) make recommendations for changes to programs for improving effectiveness and
5.7 efficiency; and (iii) protect the integrity of the use of state funds;

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

5.10 (3) recommending legislative or policy changes to improve program efficiency and
5.11 effectiveness;

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

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

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

5.20 (7) alerting relevant commissioners or heads of agencies on an emergency basis before
5.21 an investigation is concluded that the inspector general has a reasonable suspicion that fraud
5.22 or misuse is being committed, with a recommendation to freeze or cease distribution of
5.23 funds.

5.24 Subd. 2. Exceptions. (a) The inspector general does not have jurisdiction over Medicaid
5.25 fraud and abuse investigations, program integrity reviews related to Medicaid, background
5.26 studies conducted by the Department of Human Services under chapter 245C, or human
5.27 services licensing under chapter 245A. Any complaints or tips received by the inspector
5.28 general relating to such functions must be referred to the appropriate division within the
5.29 Department of Human Services in accordance with paragraph (e).

5.30 (b) The inspector general does not have jurisdiction over child care assistance program
5.31 fraud investigations, program integrity reviews related to the child care assistance program,
5.32 or children, youth, and families licensing under chapter 142B. Any complaints or tips
5.33 received by the inspector general relating to such functions must be referred to the appropriate

division within the Department of Children, Youth, and Families in accordance with paragraph (e).

(c) The inspector general does not have jurisdiction over the special supplemental nutrition program for women, infants, and children (WIC) fraud and abuse investigations. Any complaints or tips received by the inspector general relating to such functions must be referred to the appropriate division within the Department of Health in accordance with paragraph (e).

(d) The inspector general does not have jurisdiction over general compliance reviews, information technology security audits, or administrative program integrity assessments that are not related to fraud or misuse. These functions must stay with the respective agencies.

(e) The inspector general must not investigate a tip or information provided by a third-party related to functions described in paragraphs (a), (b), and (c). The inspector general must promptly notify the commissioners of human services; children, youth, and families; and health of such tip or information and consult with the commissioner as to the inspector general's responsibilities and authority with respect to any resulting investigation.

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

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

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

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

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

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

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

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

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

Subd. 3. **Penalties.** (a) If a person refuses or neglects to obey any lawful direction of the inspector general, a deputy or assistant, or withholds any information, book, record,

paper or other document called for by the inspector general for the purpose of examination, after having been lawfully required by order or subpoena, upon application by the inspector general, a judge of the district court in the county where the order or subpoena was made returnable shall compel obedience or punish disobedience as for contempt, as in the case of a similar order or subpoena issued by the court.

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

Sec. 8. **[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;

(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

8.1 (3) the commissioner of human services or the commissioner of children, youth, and
8.2 families if the data are subject to section 15D.04, subdivision 2.

8.3 Subd. 5. **Data classifications.** (a) Notwithstanding any other law, data relating to an
8.4 investigation conducted under this chapter are confidential data on individuals or protected
8.5 nonpublic data while the investigation is active.

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

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

8.10 (2) the inspector general reasonably believes the data will be used in litigation; or

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

8.12 (c) Data subject to paragraph (b), clause (2), are confidential data on individuals or
8.13 protected nonpublic data and become public when the litigation has been completed or is
8.14 no longer being actively pursued.

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

8.19 (1) data relating to the investigation's existence, status, and disposition; and

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

8.21 For an investigation subject to this paragraph, data identifying individuals or an entity that
8.22 is not a government entity, are private data on individuals or nonpublic data.

8.23 (e) Data on an individual supplying information for an investigation that could reasonably
8.24 be used to determine the individual's identity are private data on individuals if the information
8.25 supplied was needed for the investigation and would not have been provided to the inspector
8.26 general without an assurance to the individual that the individual's identity would remain
8.27 private.

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

9.1 Subd. 6. **Departments of Human Services and Children, Youth, and Families.** Data
9.2 relating to complaints or tips that are subject to section 15D.04, subdivision 2, are private
9.3 data on individuals or nonpublic data.

9.4 Sec. 9. **[15D.05] RESOURCES.**

9.5 Subdivision 1. **Staff.** (a) The inspector general may hire and manage staff, including
9.6 certified public accountants, legal experts, and investigators, as necessary. The inspector
9.7 general must employ at least two individuals with experience in criminal investigations to
9.8 serve as investigators for the office. To the extent the inspector general deems advisable,
9.9 these individuals must have previous experience in complex investigations as law
9.10 enforcement officers. The staff in the Office of the Inspector General shall serve in the
9.11 classified civil service. Except as provided in paragraph (b), compensation for employees
9.12 of the inspector general in the classified service who are represented by an exclusive
9.13 representative shall be governed by a collective bargaining agreement negotiated between
9.14 the commissioner of management and budget and the exclusive representative. Compensation
9.15 for employees of the inspector general in the classified service who are not represented by
9.16 an exclusive representative shall be as provided in the commissioner's plan under section
9.17 43A.18, subdivision 2.

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

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

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

9.24 Sec. 10. **[15D.06] REPORTING AND TRANSPARENCY.**

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

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

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

10.1 Sec. 11. **[15D.07] PROFESSIONAL STANDARDS AND REVIEW.**

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

10.4 (b) The chief administrative law judge may contract for an external quality assurance
10.5 review of the inspector general every three years and must make findings from the review
10.6 public.

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

10.8 Sec. 12. **[15D.08] LEGISLATIVE INSPECTOR GENERAL ADVISORY**
10.9 **COMMISSION.**

10.10 Subdivision 1. **Membership.** The Legislative Inspector General Advisory Commission
10.11 is comprised of:

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

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

10.14 (3) two members of the house of representatives appointed by the speaker of the house
10.15 of representatives; and

10.16 (4) two members of the house of representatives appointed by the minority leader of the
10.17 house of representatives.

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

10.20 Subd. 3. **Duties.** The Legislative Inspector General Advisory Commission must:

10.21 (1) consider applicants for and make recommendations to the chief administrative law
10.22 judge for the position of inspector general; and

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

10.25 Subd. 4. **Per diem; expense reimbursement.** Members may be compensated for time
10.26 spent on commission duties and may be reimbursed for expenses according to the rules of
10.27 their respective bodies.

10.28 Subd. 5. **Meeting space; staff.** The Legislative Coordinating Commission must provide
10.29 meeting space and staff to assist the commission in performing its duties.

11.1 Subd. 6. **Open meetings.** The Legislative Inspector General Advisory Commission is
11.2 subject to the requirements in section 3.055.

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

11.5 Sec. 13. **OFFICE OF THE INSPECTOR GENERAL ESTABLISHMENT AND**
11.6 **TRANSITION.**

11.7 Subdivision 1. **Appointment.** By January 1, 2026, the Legislative Inspector General
11.8 Advisory Commission must make recommendations for appointment of an inspector general
11.9 under Minnesota Statutes, section 15D.03. By February 1, 2026, the chief judge of the Office
11.10 of Administrative Hearings must appoint an inspector general from among the recommended
11.11 candidates.

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

11.14 Subd. 3. **Transition of employees.** (a) Before September 1, 2026, all officers and
11.15 employees employed in an office of inspector general for a state agency shall transition to
11.16 employment under the Office of the Inspector General under Minnesota Statutes, chapter
11.17 15D, except as specified in subdivision 6.

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

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

11.22 (2) transferred employees who were represented by an exclusive representative prior to
11.23 the transfer shall continue to be represented by the same exclusive representative after the
11.24 transfer;

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

11.28 (4) when an employee in a temporary unclassified position is transferred to the Office
11.29 of the Inspector General, the total length of time that the employee has served in the
11.30 appointment must include all time served in the appointment at the transferring agency and
11.31 the time served in the appointment at the Office of the Inspector General. An employee in
11.32 a temporary unclassified position who was hired by a transferring agency through an open

12.1 competitive selection process under a policy enacted by the commissioner of management
12.2 and budget is considered to have been hired through a competitive selection process after
12.3 the transfer;

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

12.8 (6) if the state transfers ownership or control of any facilities, services, or operations of
12.9 the Office of the Inspector General to another private or public entity by subcontracting,
12.10 sale, assignment, lease, or other transfer, the state must require as a written condition of the
12.11 transfer of ownership or control the following:

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

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

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

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

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

12.29 Subd. 6. **Exceptions.** (a) Positions in the following divisions and teams in the Department
12.30 of Human Services will not transfer to the Office of the Inspector General:

12.31 (1) background studies division;

12.32 (2) licensing division;

- 13.1 (3) enterprise operations and policy division;
- 13.2 (4) legal counsel's office;
- 13.3 (5) data services, analytics, and insights division;
- 13.4 (6) Medicaid program integrity team within program integrity oversight division;
- 13.5 (7) Medicaid provider audits and investigations team within program integrity oversight
- 13.6 division; and
- 13.7 (8) functions of the fraud prevention investigations team in the program integrity oversight
- 13.8 division related to Medicaid and MinnesotaCare.

13.9 (b) No employees or positions in the Department of Corrections are transferred under

13.10 this section.

13.11 (c) No employees or positions in the student maltreatment program of the Department

13.12 of Education or other Department of Education employees or positions dedicated to student

13.13 maltreatment investigations under Minnesota Statutes, chapter 260E, are transferred under

13.14 this section.

13.15 (d) Positions in the following divisions and teams in the Department of Children, Youth,

13.16 and Families will not transfer to the Office of the Inspector General:

13.17 (1) licensing; and

13.18 (2) child care assistance program.

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

13.20 **Sec. 14. LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION;**

13.21 **INITIAL APPOINTMENTS AND FIRST MEETING.**

13.22 Subdivision 1. **Initial appointments.** Appointing authorities must make appointments

13.23 to the Legislative Inspector General Advisory Commission by August 1, 2025.

13.24 Subd. 2. **First meeting.** The senate majority leader must designate one member of the

13.25 Legislative Inspector General Advisory Commission to convene the first meeting of the

13.26 Legislative Inspector General Advisory Commission by September 15, 2025.

13.27 **Sec. 15. INTERAGENCY AGREEMENTS.**

13.28 (a) By December 31, 2026, the Office of the Inspector General must enter into an

13.29 interagency agreement with the Department of Human Services that governs how potential

13.30 similar or duplicative investigations will be handled. The interagency agreement must

14.1 include a clause on cost-sharing for investigations that may require multiagency coordination
14.2 and a clause that details what process will be followed if a joint investigation is required.
14.3 The interagency agreement must not limit the inspector general's authority or authorized
14.4 powers and responsibilities pertaining to any investigation of the Department of Human
14.5 Services.

14.6 (b) By December 31, 2026, the Office of the Inspector General must enter into an
14.7 interagency agreement with the Department of Children, Youth, and Families that governs
14.8 how potential similar or duplicative investigations will be handled. The interagency
14.9 agreement must include a clause on cost-sharing for investigations that may require
14.10 multiagency coordination and a clause that details what process will be followed if a joint
14.11 investigation is required. The interagency agreement must not limit the inspector general's
14.12 authority or authorized powers and responsibilities pertaining to any investigation of the
14.13 Department of Children, Youth, and Families.

14.14 Sec. 16. **APPROPRIATIONS.**

14.15 (a) \$..... in fiscal year 2026 and \$..... in fiscal year 2027 are appropriated from the
14.16 general fund to the Office of Administrative Hearings to support the creation of the Office
14.17 of the Inspector General. This is a onetime appropriation.

14.18 (b) \$..... in fiscal year 2026 and \$..... in fiscal year 2027 are appropriated from the
14.19 general fund to the Office of the Inspector General for the purposes of this act.

14.20 **ARTICLE 2**

14.21 **CONFORMING ITEMS AND REPEALERS**

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

14.24 Subd. 35. **Office of the Inspector General; reports.** The commissioner must submit
14.25 final investigative reports to the inspector general, serving under section 15D.01, for any
14.26 investigation conducted by the commissioner into fraud or misuse, as defined in section
14.27 15D.02, within the child care assistance program.

14.28 Sec. 2. Minnesota Statutes 2024, section 256.01, is amended by adding a subdivision to
14.29 read:

14.30 Subd. 44. **Office of the Inspector General; reports.** The commissioner must submit
14.31 final investigative reports to the inspector general, serving under section 15D.01, for any

15.1 investigation conducted by the commissioner into fraud or misuse, as defined in section
15.2 15D.02, within the Medicaid program.

15.3 Sec. 3. **EXISTING DUTIES ABOLISHED; TRANSFERS PROVIDED.**

15.4 Subdivision 1. **Duties abolished.** Except as exempted in article 1, section 6, subdivision
15.5 2, and section 13, subdivision 6, duties pertaining to the investigation of fraud, misuse, and
15.6 other unlawful use of public funds in the Office of Inspector General in the Departments
15.7 of Education; Human Services; and Children, Youth, and Families are abolished effective
15.8 the day after the inspector general under Minnesota Statutes, section 15D.01, certifies in
15.9 writing to the commissioners of the respective departments and the commissioner of
15.10 management and budget that the inspector general has assumed responsibility for these
15.11 duties.

15.12 Subd. 2. **Inspector general transfers.** Pursuant to Minnesota Statutes, section 15.039,
15.13 all active investigations, obligations, court actions, contracts, and records shall transfer from
15.14 each department in subdivision 1 to the inspector general under Minnesota Statutes, section
15.15 15D.01, except as provided by the inspector general and as provided in article 1, section 6,
15.16 subdivision 2, and section 13, subdivision 6.

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

15.18 Sec. 4. **REPEALER.**

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

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

APPENDIX
Article locations for S0856-4

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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.