



May 6, 2025

Senator Marty, Chair
Committee Members
Senate Finance Committee

Re: SF856 (Gustafson) - Office of Inspector General Established

Dear Chair Marty and members of Finance Committee,

Thank you for the opportunity to provide comments on Senate File 856, which establishes the Office of Inspector General (OIG). We share your commitment to protecting public funds and ensuring that they are correctly used for their intended purpose. We appreciate Senator Gustafson's work on this legislation and her willingness to work with us throughout the process.

We are writing with feedback from the Department of Administration, Department of Health, Department of Human Services, and the Department of Children, Youth, and Families as it relates to adequately funding certain aspects of SF856. It is critical that the implementation of an OIG is properly funded, as well as the ongoing coordination work that would result between agencies and an OIG.

Underfunding of Implementation at the Department of Administration

Adequately funded implementation costs are critical for the start-up of any new entity. The bill does not fully fund the Department of Administration's (Admin) cost estimates in the fiscal note. Currently, there would only be funding for 75% of Admin's estimated costs in the first year and only 50% in the second year in order to properly stand up and implement the OIG. While the bill allows for flexibility to use some of the OIG's dollars in the first year, especially for workspace build out, cost of space, and office equipment, there is no flexibility to cover set up costs for Admin in the second year. Admin would not have surplus agency funds to cover implementation of the OIG.

Admin is concerned that underfunding the establishment of the OIG will ultimately hinder its success to provide oversight of state agencies. Supporting the creation of this office will involve an implementation effort that covers organizational planning and structure, coordination with other entities, hiring, office set up, the transition of staff from another agency, the establishment of policies and procedures, financial management, and IT systems selection, among other tasks. The items are complex and will need the support of dedicated professionals to accomplish them effectively.

Department of Human Services Concerns

This bill requires interagency agreements between the state OIG and the Department of Human Services (DHS) and will require ongoing coordination between DHS and the OIG to ensure effectiveness. This coordination will require new day-to-day work, such as DHS providing data to the OIG, which requires DHS legal, federal compliance, and program expertise to accurately facilitate and interpret exchanged information and data.

The bill also requires reports to be written and submitted from DHS to the state OIG on any investigation conducted by the DHS commissioner on Medicaid fraud or misuse. DHS will need staff to prepare and submit these reports. Considering the bill language allows for the OIG to conduct its own investigations, DHS will need additional staff to provide expert coordination with the OIG to help ensure investigations are not unnecessarily replicated or compromised. Together, these additional tasks require four FTEs and systems funding. These resources are critical so DHS can effectively coordinate with the OIG, respond to requests, and meet the goal of putting an end to fraud against public programs. Without these resources, the effectiveness of the OIG will be limited.

Department of Children, Youth, and Families Concerns

The bill does not fund staff needs at the Department of Children, Youth, and Families (DCYF). The DCYF fiscal note indicates that there will be a need for two FTEs to address the following new responsibilities:

- coordinating and providing responses to OIG requests and subpoenas for data and information;
- developing and carrying out an interagency agreement on joint investigations with OIG;
- ensuring the withholding of funds based on allegations of fraud;
- providing required information on DCYF OIG investigations to the centralized OIG; and
- monitoring and ensuring implementation of OIG recommendations.

As these are new and important responsibilities for the agency, without this additional staff, our ability to fully interact with and support the new OIG will be significantly hampered and some potential benefits of the OIG's work could be lost.

Department of Health Concerns

The Minnesota Department of Health (MDH) was disappointed to see the removal of funding originally requested in our fiscal note. This funding is essential to support the department in areas where MDH will experience new areas of work if the bill is enacted.

For example, the bill requires MDH to submit final investigative findings to the OIG. We anticipate this will directly affect the work we do with the Women, Infants, and Children (WIC) program. Preparing these reports will require increased technical assistance and a greater number of investigations conducted in advance of reporting to the OIG. To comply with the language of SF 856, WIC would need to pivot from its existing federally regulated investigative processes to align with state reporting requirements that are largely duplicative but differ in format and procedure. This shift would require additional time and resources to fulfill overlapping obligations.

With the heightened awareness and increased reporting requirements, MDH anticipates an increase in concerns and allegations to our pre-existing Internal Audit Office. This increase in reporting within the agency, as well as added external reporting requirements would increase their workload.

Thank you for your consideration, and attention to the importance of implementation and agency costs in this bill. These costs are critical for the effective implementation of the OIG and ongoing coordination with state agencies. We look forward to your continued partnership throughout the remainder of session.

Sincerely,



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Commissioner
Department of Administration



Brooke Cunningham, MD, PhD
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Tikki Brown
Commissioner
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Shireen Gandhi
Temporary Commissioner
Department of Human Services

Cc: Senator Gustafson
Senator Kreun