

1.1 **Senator Xiong from the Committee on State and Local Government, to which was**
1.2 **referred**

1.3 **S.F. No. 856:** A bill for an act relating to state government; creating the Office of the
1.4 Inspector General; requiring reports; appropriating money; proposing coding for new law
1.5 as Minnesota Statutes, chapter 15D.

1.6 Reports the same back with the recommendation that the bill be amended as follows:

1.7 Delete everything after the enacting clause and insert:

1.8 "Section 1. Minnesota Statutes 2024, section 3.971, is amended by adding a subdivision
1.9 to read:

1.10 Subd. 3b. **Public reports of waste, fraud, and abuse.** The legislative auditor must refer
1.11 all reports from the public about potential waste, fraud, or abuse, as those terms are defined
1.12 in chapter 15D, to the inspector general.

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

1.14 Subd. 2. **Agency head salaries.** The salary for a position listed in this subdivision shall
1.15 be determined by the Compensation Council under section 15A.082. The commissioner of
1.16 management and budget must publish the salaries on the department's website. This
1.17 subdivision applies to the following positions:

1.18 Commissioner of administration;

1.19 Commissioner of agriculture;

1.20 Commissioner of education;

1.21 Commissioner of children, youth, and families;

1.22 Commissioner of commerce;

1.23 Commissioner of corrections;

1.24 Commissioner of health;

1.25 Commissioner, Minnesota Office of Higher Education;

1.26 Commissioner, Minnesota IT Services;

1.27 Commissioner, Housing Finance Agency;

1.28 Commissioner of human rights;

1.29 Commissioner of human services;

1.30 Commissioner of labor and industry;

- 2.1 Commissioner of management and budget;
- 2.2 Commissioner of natural resources;
- 2.3 Commissioner, Pollution Control Agency;
- 2.4 Commissioner of public safety;
- 2.5 Commissioner of revenue;
- 2.6 Commissioner of employment and economic development;
- 2.7 Commissioner of transportation;
- 2.8 Commissioner of veterans affairs;
- 2.9 Executive director of the Gambling Control Board;
- 2.10 Executive director of the Minnesota State Lottery;
- 2.11 Executive director of the Office of Cannabis Management;
- 2.12 Inspector general;
- 2.13 Commissioner of Iron Range resources and rehabilitation;
- 2.14 Commissioner, Bureau of Mediation Services;
- 2.15 Ombudsman for mental health and developmental disabilities;
- 2.16 Ombudsperson for corrections;
- 2.17 Chair, Metropolitan Council;
- 2.18 Chair, Metropolitan Airports Commission;
- 2.19 School trust lands director;
- 2.20 Executive director of pari-mutuel racing;
- 2.21 Commissioner, Public Utilities Commission;
- 2.22 Chief Executive Officer, Direct Care and Treatment; and
- 2.23 Director of the Office of Emergency Medical Services.
- 2.24 **Sec. 3. [15D.01] OFFICE OF THE INSPECTOR GENERAL.**
- 2.25 (a) The inspector general serves as an independent entity responsible for ensuring
- 2.26 accountability, transparency, and integrity in the operations of state agencies and programs.

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

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

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

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

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

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

(1) "abuse" means the misuse of authority or position for personal gain or to cause harm to others, including the improper use of state resources or programs contrary to their intended purpose;

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

(3) "fraud" means intentional acts of deception to gain an unlawful benefit;

(4) "investigation" means an audit, review, or inquiry conducted by the inspector general to detect or prevent fraud, waste, or abuse; and

(5) "waste" means the negligent or careless expenditure, mismanagement, or squandering of resources that result in unnecessary costs. Waste may also include inefficient practices that could be avoided through reasonable efforts.

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

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

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

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

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

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

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

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

4.6 Subd. 2. **Appointment.** The Legislative Inspector General Advisory Commission will
4.7 recommend candidates for inspector general after a competitive process from among eligible
4.8 applicants for the position of inspector general. To be recommended by the commission, a
4.9 candidate must be approved for recommendation by five of the eight members of the
4.10 commission. The commission must assess eligible candidates based on qualifications,
4.11 including experience in auditing, financial analysis, public administration, law enforcement,
4.12 or related fields. The chief judge of the Office of Administrative Hearings will appoint an
4.13 inspector general from the recommendations provided by the Legislative Inspector General
4.14 Advisory Commission.

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

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

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

4.20 The inspector general is authorized and responsible for:

4.21 (1) conducting inspections, evaluations, and investigations of state executive branch
4.22 agencies and programs according to professional auditing standards to: (i) identify fraud,
4.23 waste, abuse, and inefficiencies; (ii) make recommendations for changes to programs for
4.24 improving effectiveness and efficiency; and (iii) protect the integrity of the use of state
4.25 funds;

4.26 (2) referring matters for civil, criminal, or administrative action to the appropriate
4.27 authorities;

4.28 (3) recommending legislative or policy changes to improve program efficiency and
4.29 effectiveness;

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

(5) establishing a specialized division within the Office of the Inspector General to investigate fraud, waste, and abuse involving state law enforcement and public safety programs. This division shall ensure that investigations are independent and distinct from the roles of the attorney general or Department of Public Safety;

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

(7) submitting 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.

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 auditor, 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.

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

6.3 Sec. 8. **[15D.046] DATA PRACTICES.**

6.4 (a) It is not a violation of chapter 13 or any other statute classifying government data as
6.5 not public data as defined in section 13.02, subdivision 8a, if a government entity as defined
6.6 in section 13.02, subdivision 7a, provides data pursuant to a subpoena issued under this
6.7 section.

6.8 (b) The inspector general is subject to the Government Data Practices Act, chapter 13,
6.9 and shall protect from unlawful disclosure data classified as not public data.

6.10 (c) Data collected, created, received, or maintained by the inspector general relating to
6.11 an audit, investigation, proceeding, or inquiry are subject to section 13.39.

6.12 Sec. 9. **[15D.05] RESOURCES; APPROPRIATION.**

6.13 Subdivision 1. **Staff.** (a) The inspector general may hire and manage staff, including
6.14 certified public accountants, legal experts, and investigators, as necessary. The inspector
6.15 general must employ at least two licensed peace officers to serve as investigators and to
6.16 assist with investigations requiring specialized law enforcement knowledge. The staff in
6.17 the Office of the Inspector General shall serve in the classified civil service. Except as
6.18 provided in paragraph (b), compensation for employees of the inspector general in the
6.19 classified service who are represented by an exclusive representative shall be governed by
6.20 a collective bargaining agreement negotiated between the commissioner of management
6.21 and budget and the exclusive representative. Compensation for employees of the inspector
6.22 general in the classified service who are not represented by an exclusive representative shall
6.23 be as provided in the commissioner's plan under section 43A.18, subdivision 2.

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

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

6.29 Subd. 3. **Appropriation.** \$..... is appropriated each year from the general fund to the
6.30 chief administrative law judge for the operations of the Office of the Inspector General.

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

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

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

7.4 Subd. 2. **Confidential information.** In public reports, the inspector general must redact
7.5 sensitive or confidential information to comply with privacy laws and protect whistleblowers.

7.6 Subd. 3. **Public tips.** The inspector general must maintain a phone line and website for
7.7 reporting fraud, waste, and abuse that allows the person making the report to remain
7.8 anonymous.

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

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

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

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

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

7.17 Sec. 12. **[15D.08] LEGISLATIVE INSPECTOR GENERAL ADVISORY**
7.18 **COMMISSION.**

7.19 Subdivision 1. **Membership.** To ensure impartiality and independence, the inspector
7.20 general shall be appointed by the chief administrative law judge and supervised by the
7.21 Legislative Inspector General Advisory Commission comprised of:

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

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

7.24 (3) two members of the house of representatives appointed by the speaker of the house
7.25 of representatives; and

7.26 (4) two members of the house of representatives appointed by the minority leader of the
7.27 house of representatives.

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

8.1 Subd. 3. **Per diem; expense reimbursement.** Members may be compensated for time
8.2 spent on commission duties and may be reimbursed for expenses according to the rules of
8.3 their respective bodies.

8.4 Subd. 4. **Meeting space; staff.** The Legislative Coordinating Commission must provide
8.5 meeting space and staff to assist the commission in performing its duties.

8.6 Subd. 5. **Open meetings.** The Legislative Inspector General Advisory Commission is
8.7 subject to the requirements in section 3.055.

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

8.10 Sec. 13. **OFFICE OF THE INSPECTOR GENERAL ESTABLISHMENT AND**
8.11 **TRANSITION.**

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

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

8.19 Subd. 3. **Transition of employees.** (a) Before September 1, 2026, all officers and
8.20 employees employed in an office of inspector general for a state agency shall transition to
8.21 employment under the Office of the Inspector General under Minnesota Statutes, chapter
8.22 15D, except as specified in subdivision 6.

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

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

8.27 (2) transferred employees who were represented by an exclusive representative prior to
8.28 the transfer shall continue to be represented by the same exclusive representative after the
8.29 transfer;

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

9.1 (4) when an employee in a temporary unclassified position is transferred to the Office
9.2 of the Inspector General, the total length of time that the employee has served in the
9.3 appointment must include all time served in the appointment at the transferring agency and
9.4 the time served in the appointment at the Office of the Inspector General. An employee in
9.5 a temporary unclassified position who was hired by a transferring agency through an open
9.6 competitive selection process under a policy enacted by the commissioner of management
9.7 and budget is considered to have been hired through a competitive selection process after
9.8 the transfer;

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

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

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

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

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

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

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

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

(1) background studies division;

(2) licensing division;

(3) enterprise operations and policy division;

(4) background studies legal team;

(5) licensing legal team;

(6) medicaid program integrity team within program integrity oversight division; and

(7) medicaid provider audits and investigations team within program integrity oversight division.

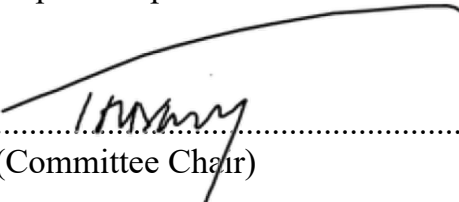
EFFECTIVE DATE. This section is effective January 1, 2026.

Sec. 14. **LEGISLATIVE INSPECTOR GENERAL ADVISORY COMMISSION; INITIAL APPOINTMENTS AND FIRST MEETING.**

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

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

And when so amended the bill do pass and be re-referred to the Committee on Judiciary and Public Safety. Amendments adopted. Report adopted.


.....
(Committee Chair)

February 11, 2025.....
(Date of Committee recommendation)