



## **S.F. No. 856 – Office of the Inspector General creation (the 5th Engrossment as proposed to be amended by the A43)**

**Author:** Senator Heather Gustafson

**Prepared by:** Stephanie James, Senate Counsel (stephanie.james@mnsenate.gov)

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### **Article 1. Office of the Inspector General**

**Section 1 [Public Reports of Waste, Fraud, and Abuse; 3.971]** requires the legislative auditor to report all reports from the public about potential fraud or misuse to the inspector general.

**Section 2 [Agency Head Salaries; 15A.0815, subd. 2]** adds the inspector general to the list of agency heads for which the Compensation Council sets salaries.

**Section 3 [Office of the Inspector General; 15D.01]** establishes an office of the inspector general that operates independently from state agencies and reports to the chief administrative law judge. The inspector general directs the Office of the Inspector General. The inspector general serves in the unclassified service.

**Section 4 [Definitions; 15D.02]** defines “agency program,” “fraud,” “investigation,” “misuse,” and “personal gain” for purposes of the inspector general chapter.

**Section 5 [Inspector General; 15D.03]** establishes requirements for the inspector general.

**Subd. 1. Minimum qualifications.** Sets minimum qualifications for the educational and professional experience for the person appointed as inspector general. Precludes people who hold or have held specified positions in state government from serving as the inspector general.

**Subd. 2. Appointment.** Provides for the Legislative Inspector General Advisory Commission to recommend candidates for inspector general after a competitive process. The commission may recommend qualified candidates with a vote of approval from five of the eight members of the commission. The chief judge of the Office of Administrative Hearings will appoint an inspector general from among the recommended candidates.

**Subd. 3. Term.** The inspector general serves a term of five years and may only be removed for cause by the chief judge of the Office of Administrative Hearings.

**Section 6 [Powers and Duties; 15D.04]** specifies the powers and duties of the inspector general.

**Subd. 1. Authorized powers and responsibilities.** The inspector general will conduct inspections, evaluations, and investigations of state executive branch agencies and programs to identify fraud, make recommendations for changes to programs to prevent fraud and misuse, and protect the integrity of the use of public funds. The inspector general will refer matters to appropriate authorities for civil, criminal, or administrative action and may recommend legislative or policy changes to improve program efficiency and effectiveness, and publish reports on the office's work. The inspector general will investigate public and private entities that receive state funds to ensure compliance with laws, proper use of funds, and adherence to program requirements. The inspector general must report annually to the Legislative Inspector General Advisory Commission summarizing the work of the office. The inspector general may alert agency heads on an emergency basis when the inspector general has a reasonable suspicion that fraud or misuse is being committed, with a recommendation to freeze or cease distribution of funds. The inspector general must establish and maintain an exclusion list that identifies each program and individual the inspector general has recommended to not receive funds and who is the subject of a court order preventing the distribution of funds.

**Subd. 2. Relationship to powers and duties of other agencies.** Specifies that the inspector general has authority to investigate fraud and misuse of public funds across all programs administered by state agencies. The inspector general may perform its duties and apply its authority without approval from an agency. Designates that the department of human services has primary authority to investigate fraud in the Medicaid program but the inspector general may conduct independent investigations related to Medicaid fraud. The department of children, youth, and families has primary responsibility to investigate fraud in the Child Care Assistance Program but the inspector general may conduct independent investigations related the Child Care Assistance Program. The commissioner of health has primary jurisdiction over fraud investigations related to WIC and food support programs but the inspector general may conduct independent investigations related to those programs. The inspector general has concurrent authority over general compliance reviews, information technology security audits, or administrative program integrity assessments related to fraud or misused. The inspector general must refer reports from the public about potential fraud or misuse to the legislative auditor and may coordinate investigations with the legislative auditor when coordination conserves resources and does not compromise an investigation.

**Section 7 [Auxiliary Powers; 15D.042]** gives the inspector general subpoena power and sets requirements for specified entities to provide certain access and resources and to cooperate with the inspector general. Provides penalties for failure to comply.

**Section 8 [Data Practices; 15D.046]** makes the inspector general subject to the Government Data Practices Act in chapter 13. Exempts a government entity from penalties under chapter 13 for providing data pursuant to a subpoena issued by the inspector general. Permits the inspector general to disseminate data of any classification to a government entity or a law enforcement or prosecuting authority or the commissioners of human services and children, youth, and families in specific circumstances. Classifies data relating to an investigation as confidential data on individuals or protected nonpublic data. Provides that the data become public upon completion of the investigation except for certain limited circumstances. Provides that data are private or nonpublic if the inspector general is no longer actively pursuing an investigation, except the following data is public: existence, status, and disposition of the investigation and data documenting the inspector general's

work. Provides that data about the identity of certain witnesses remain private. Provides that data relating to complaints or tips that are subject to section 15D.04, subdivision 2, are private data on individuals or nonpublic data.

**Section 9 [Resources; Appropriation; 15D.05]** authorizes and provides for staffing of the office of the inspector general.

**Subd. 1. Staff.** Authorizes the inspector general to hire and manage staff for the office. Requires the inspector general to employ at least two people experienced in investigations to assist with investigations requiring specialized law enforcement knowledge. These two people, to the extent the inspector general deems advisable, must have experience in complex investigations as law enforcement officers. The staff serve in the classified civil service and compensation is determined by collective bargaining agreements or the commissioner's plan.

**Subd. 2. Contracting.** Authorizes the inspector general to contract with external experts, subject to the state's requirements for professional and technical service contracts.

**Sec. 10 [Reporting and Transparency; 15D.06]** requires reports and a public tipline.

**Subd. 1. Reports.** Requires the inspector general to issue public reports detailing completed audits, investigations, and corrective actions.

**Subd. 2. Public tips.** Requires the inspector general to maintain a phone and website for the public to anonymously report fraud and misuse.

**Sec. 11 [Professional Standards and Review; 15D.07]** requires the inspector general's activities to adhere to professional standards as set by the Association of Inspectors General or other recognized bodies. Authorizes the chief administrative law judge to contract for an external quality assurance review every three years. The results of the review must be made public.

**Section 12 [Legislative Inspector General Advisory Commission]** creates a commission composed of eight legislative members who consider applications for and make recommendations to the chief administrative law judge for position of the inspector general.

**Subd. 1. Membership.** Provides for eight members to serve on the commission. Two each are appointed by the majority and minority leadership in the senate and the house of representatives.

**Subd. 2. Terms.** Members serve on the commission at the pleasure of their respective appointing authorities.

**Subd. 3. Duties.** Requires the commission to consider applicants for and make recommendations to the chief administrative law judge for the position of inspector general. Authorizes the commission to conduct hearings to review the work of the inspector general to ensure impartiality, independence, and effectiveness.

**Subd. 4. Per diem; expense reimbursement.** Members are compensated for their time and are reimbursed for expenses according to the rules of their bodies.

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

**Subd. 6. Open meetings.** The Legislative Inspector General Advisory Commission is subject to the legislative open meeting law.

**Section 13. Office of the Inspector General Establishment and Transition.** Sets timelines for establishing the new office and for the transition of employees in other offices of inspectors general to transition to the new office.

**Subd. 1. Appointment.** Sets a deadline for the Legislative Inspector General Advisory Commission to make recommendations for candidates for the position of inspector general. Sets a deadline for the chief judge of the office of administrative hearings to appoint an inspector general.

**Subd. 2. Operational.** Sets a deadline for the Office of the Inspector General to be operational.

**Subd. 3. Transition of employees.** Sets a deadline for transition of employees into the Office of the Inspector General. Lists employment protections for transferred employees. Provides for the application of existing collective bargaining agreements for employees who are transferred.

**Subd. 4. Assets.** Provides for the assets and unused appropriations for existing offices of inspectors general to transition to the new Office of the Inspector General.

**Subd. 5. Office space.** Requires the commissioner of administration to provide office space on the Capitol Mall complex for the Office of the Inspector General.

**Subd. 6. Exceptions.** Exempts certain divisions and teams from the Department of Human Services, Department of Corrections, Department of Education, and Department of Children, Youth, and Families from transferring to the Office of the Inspector General.

**Section 14. Legislative Inspector General Advisory Commission; Initial Appointments and First Meeting.** Sets deadlines for appointments and the first meeting of the Legislative Inspector General Advisory Commission.

**Section 15. Interagency agreements.** Requires the Office of the Inspector General to enter into interagency agreements with the Departments of Human Services and Children, Youth, and Families that govern cost-sharing and a process for joint investigations. Authorizes the inspector general and the agency to coordinate investigative efforts as necessary or practical, but an interagency agreement may not diminish, delay, or restrict the inspector general's ability to investigate fraud and misuse.

**Section 16. Appropriations.** Contains blank appropriations in fiscal year 2026 and 2027 to the Office of Administrative Hearings and to the Office of the Inspector General to support the creation and funding of the Office of the Inspector General.

## **Article 2. Conforming Items and Repealer**

**Section 1. Office of the Inspector General; reports.** Requires the commissioner of children, youth, and families to submit final investigative reports to the inspector general for any investigation conducted by the commissioner into fraud or misuse within the child care assistance program.

**Section 2. Withholding of payments.** Adds authority for the commissioner of children, youth, and families to withhold payment under any program based on information in the inspector general's exclusion list supporting a credible allegation of fraud.

**Section 3. Office of the Inspector General; reports.** Requires the commissioner of human services to submit final investigative reports to the inspector general for any investigation conducted by the commissioner into fraud or misuse within the special supplemental nutrition program for women, infants, and children.

**Section 4. Withholding of payments.** Adds authority for the commissioner of health to withhold payment under any program based on information in the inspector general's exclusion list supporting a credible allegation of fraud.

**Section 5. Office of the Inspector General; reports.** Requires the commissioner of health to submit final investigative reports to the inspector general for any investigation conducted by the commissioner into fraud or misuse within the Medicaid program.

**Section 6. Existing Duties Abolished; Transfers Provided.**

**Subd. 1. Duties abolished.** Except for divisions and positions excluded from transfer in article 1, duties pertaining to fraud, abuse, and other unlawful use of public funds in an existing office of inspector general are abolished when the new inspector general certifies the inspector general has assumed those duties.

**Subd. 2. Inspector general transfer.** Provides for the transfer of all active investigations, obligations, court actions, contracts, and records from an existing office of inspector general to the new Office of the Inspector General.

**Section 4. Repealer.** Repeals section 13.321, subd. 12, and 127A.21, relating to the inspector general under the Department of Education.



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95 University Ave. W., STE 3300, Saint Paul, MN, 55155