

1.1 **Senator Wiklund from the Committee on Health and Human Services, to which**
1.2 **was re-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; creating an advisory committee; requiring reports; transferring certain
1.5 agency duties; appropriating money; amending Minnesota Statutes 2024, sections 3.971,
1.6 by adding a subdivision; 15A.0815, subdivision 2; proposing coding for new law as
1.7 Minnesota Statutes, chapter 15D; repealing Minnesota Statutes 2024, sections 13.321,
1.8 subdivision 12; 127A.21.

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

1.10 Page 1, lines 13 and 14, delete "abuse" and insert "misuse"

1.11 Page 3, delete lines 20 to 22

1.12 Page 3, line 25, after "act" insert "or failure to act"

1.13 Page 3, line 27, delete "abuse" and insert "misuse" and delete "and"

1.14 Page 3, after line 27, insert: "(4) "misuse" means improper use of authority or position
1.15 for personal gain or to cause harm to others, including the improper use of public resources
1.16 or programs contrary to their intended purpose; and"

1.17 Page 4, delete section 6 and insert:

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

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

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

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

1.27 (3) recommending legislative or policy changes to improve program efficiency and
1.28 effectiveness;

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

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

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

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

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

2.14 (b) The inspector general does not have jurisdiction over child care assistance program
2.15 fraud investigations, program integrity reviews related to the child care assistance program,
2.16 or children, youth, and families licensing under chapter 142B. Any complaints or tips
2.17 received by the inspector general relating to such functions must be referred to the appropriate
2.18 division within the Department of Children, Youth, and Families in accordance with
2.19 paragraph (e).

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

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

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

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

3.1 Page 7, line 4, delete "or"

3.2 Page 7, line 6, delete the period and insert "; or"

3.3 Page 7, after line 6, insert:

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

3.5 Page 7, line 12, after "investigation" insert "by the inspector general or another government entity"

3.6 Page 8, after line 3, insert:

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

3.8 Page 8, line 4, delete "; APPROPRIATION"

3.9 Page 8, delete lines 23 to 24

3.10 Page 8, line 30, delete "abuse" and insert "misuse"

3.11 Page 12, delete lines 2 and 3 and insert:

3.12 "(4) legal counsel's office;

3.13 (5) data services, analytics, and insights division;"

3.14 Page 12, line 4, delete "and"

3.15 Page 12, line 6, delete the period and insert "; and"

3.16 Page 12, after line 6, insert:

3.17 "(8) functions of the fraud prevention investigations team in the program integrity oversight division related to Medicaid and MinnesotaCare."

3.18 Page 12, after line 12, insert:

3.19 "(d) Positions in the following divisions and teams in the Department of Children, Youth, and Families will not transfer to the Office of the Inspector General:

3.20 (1) licensing; and

3.21 (2) child care assistance program."

3.22 Page 12, after line 20, insert:

4.1 "Sec. 15. **INTERAGENCY AGREEMENTS.**

4.2 (a) By December 31, 2026, the Office of the Inspector General must enter into an
4.3 interagency agreement with the Department of Human Services that governs how potential
4.4 similar or duplicative investigations will be handled. The interagency agreement must
4.5 include a clause on cost-sharing for investigations that may require multiagency coordination
4.6 and a clause that details what process will be followed if a joint investigation is required.
4.7 The interagency agreement must not limit the inspector general's authority or authorized
4.8 powers and responsibilities pertaining to any investigation of the Department of Human
4.9 Services.

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

4.18 Sec. 16. **APPROPRIATIONS.**

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

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

4.24 Page 12, before line 23, insert:

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

4.27 Subd. 35. **Office of the Inspector General; reports.** The commissioner must submit
4.28 final investigative reports to the inspector general, serving under section 15D.01, for any
4.29 investigation conducted by the commissioner into fraud or misuse, as defined in section
4.30 15D.02, within the child care assistance program.

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

5.3 **Subd. 44. Office of the Inspector General; reports.** The commissioner must submit
5.4 final investigative reports to the inspector general, serving under section 15D.01, for any
5.5 investigation conducted by the commissioner into fraud or misuse, as defined in section
5.6 15D.02, within the Medicaid program."

5.7 Page 12, line 24, after the first comma, insert "section 6, subdivision 2, and"

5.8 Page 12, line 25, delete "abuse" and insert "misuse"

5.9 Page 13, line 4, after the second comma, insert "section 6, subdivision 2, and"

5.10 Page 13, line 12, delete "abuse" and insert "misuse"

5.11 Rerumber the sections and clauses in sequence

5.12 Amend the title numbers accordingly

5.13 And when so amended the bill do pass and be re-referred to the Committee on Human
5.14 Services. Amendments adopted. Report adopted.

5.15
5.16 (Committee Chair)

5.17 March 12, 2025.....
5.18 (Date of Committee recommendation)