

Subject Inspector General
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Overview

This bill would establish an Office of the Inspector General (OIG) in the legislative branch. The Legislative Audit Commission would oversee both the OIG and the Office of the Legislative Auditor (OLA) and ensure that the work of these offices is complementary, not duplicative.

The OIG would investigate and combat fraud, misuse, and other unlawful uses of public funds in state government and perform enhanced legislative oversight of state grantmaking. The bill would abolish existing executive branch duties pertaining to the identification and investigation of fraud and other unlawful uses of public funds and transfer them to the new OIG. Among other things, the OIG would embed staff within seven state agencies, develop and maintain a fraud reporting website and hotline, conduct investigations, and report suspected fraud to law enforcement.

Article 1: Office of the Inspector General

This article establishes the OIG and its duties and powers. It also requires the leaders of executive branch agencies to report credible evidence of fraud, misuse, and other unlawful uses of public funds to OIG, OLA, and law enforcement, and, if approved or directed by law enforcement, stop payment, increase oversight, or take other action necessary to prevent further suspected fraud or misuse.

Section Description – Article 1: Office of the Inspector General

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| 1 | <p>Policy.</p> <p>Modifies legislative policy for the Legislative Audit Commission (LAC). States that fraud, misuse, and other unlawful uses of public funds are unacceptable and must be prevented, and if fraud, misuse, or another unlawful use occur, it must be identified and fully prosecuted. (Background: in existence since 1973, the Legislative Audit Commission consists of six representatives, three from each party, and six senators, three from each party.)</p> |
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Section Description – Article 1: Office of the Inspector General

2 Complementary.

Requires the LAC to ensure that the work of the OIG is complementary to, and not duplicative of, that of the Office of the Legislative Auditor.

3 Executive secretaries.

Provides that the legislative auditor and inspector general are the executive secretaries of the LAC. Under current law, the legislative auditor is the lone executive secretary.

4 Appointment and term.

In conjunction with the prior section, this section adds the inspector general as an executive secretary to the LAC.

5 Obligation to notify the legislative auditor.

Requires the legislative auditor to notify and coordinate with the inspector general when receiving a credible tip that public money or other resources have been used unlawfully and the matter falls within the inspector general’s jurisdiction.

6 Definitions.

Defines key terms such as “fraud,” “investigation,” and “recipient of state funds.”

7 Office of the Inspector General.

Subd. 1. Establishment. Establishes the OIG as an agency in the legislative branch under the direction of the inspector general. Specifies that while the OIG reports to the LAC, it may independently initiate investigations and allocate its resources.

Subd. 2. Purpose. States the inspector general must investigate and combat fraud, misuse, and other unlawful use of public funds in state government with a focus on the providers and recipients of state-funded services.

Subd. 3. Inspector general appointment; term. Requires the LAC to appoint an inspector general for a six-year term and prohibits the commission removing the inspector general before the term expires, except for cause and after a public hearing. Prohibits the inspector general from holding another public office.

Subd. 4. Qualifications. Requires the LAC to select the inspector general without regard to political affiliation and based on outstanding professional qualifications and demonstrated integrity, leadership, and ability in a relevant field. Requires the inspector general to be certified by the national Association of Inspectors General.

Subd. 5. Staff; compensation. Requires the inspector general to appoint a deputy, with approval from the LAC, and hire assistant inspectors general and

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other employees, all of whom would serve in the unclassified service. Provides that salary and benefits for OIG staff must be determined by a compensation plan approved by the Legislative Coordinating Commission. Prohibits OIG employees from running for partisan public office.

8 Duties.

Assigns the inspector general several duties, including embedding staff within seven named executive branch departments, performing enhanced legislative oversight of state grantmaking, maintaining a fraud reporting website and hotline, coordinating with the legislative auditor, and reporting suspected fraud, etc., to law enforcement. Requires the OIG to submit all policies it develops to the LAC at least 30 days prior to adoption. Classifies procedures developed by OIG as nonpublic data.

9 Powers.

Bestows certain powers upon the OIG, including requiring any recipient of state funds to provide full and unrestricted access to their records and other documents, and access to their sites and facilities at reasonable times and without delay. Empowers the OIG to subpoena witnesses, administer oaths, and compel the production of data. Empowers OIG to recommend that state agencies, in consultation with law enforcement, impose appropriate temporary sanctions such as withholding payment to a recipient of state funds in certain specified circumstances. Requires OIG to immediately notify the LAC when making such a recommendation.

10 Enhanced oversight of state grantmaking.

Requires the OIG to provide enhanced oversight of state grantmaking, including but not limited to monitoring the Department of Administration's development and implementation of grantmaking policies, monitoring the Department of Administration's debarment or suspension of grantees and recommending the debarment or suspension of specific grantees where appropriate, monitoring the Department of Administration's receipt and disposition of tips concerning state agency violations of state grantmaking laws and policies, and monitoring state agency compliance with state grantmaking laws and policies generally.

11 Data practices.

Provides the OIG with access to all government data regardless of classification, but subjects the OIG to the Government Data Practices Act and requires OIG to protect not public data in the OIG's possession from unlawful disclosure. States that members of the LAC are liable for unauthorized use of public data provided to the LAC by the OIG. Prohibits the LAC from authorizing its members to gain access to private tax data on individuals.

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- 12 **Retaliation prohibited.**
Provides that any employee or other individual who discloses information about fraud, misuse, or other unlawful uses of public funds in state programs is protected under the state whistleblower act from dismissal or other retaliation by their employer.
- 13 **Interference prohibited.**
Prohibits state employees from interfering with or obstructing an OIG investigation.
- 14 **Reporting required.**
Requires the OIG to quantify and report fraud, misuse, or other unlawful use of public funds in a state agency or program to the LAC and the chairs of the legislative committees with jurisdiction over the agency’s operating budget.
- 15 **Detection and prevention of fraud and other misuse of public funds.**
 Subdivision 1. Definitions. Defines the terms “agency” (i.e., all entities subject to audit by the OLA) and “obligated officer” (i.e., agency heads and managers) for purposes of this section.

 Subd. 2. Suspected fraud or other misuse. Requires agencies heads and managers to report to law enforcement and the OIG and fully cooperate in any investigation and prosecution when finding or receiving a credible indication of fraud or other misuse of public funds in a grant or other program administered by the agency.

 Subd. 3. Identification of fraud reporting tools. Requires all agencies to prominently post on their website the fraud reporting tools administered by the OIG and the OLA. Requires any grant agreement between the state and a nonprofit organization to require the nonprofit to post the same information on its website for the duration of the grant.
- 16 **Legislative auditor and inspector general.**
Requires state employees and officers, the University of Minnesota, and other organizations subject to audit by the OLA to promptly report evidence of theft, embezzlement, or unlawful use of public funds or property to OLA and OIF regardless of whether doing so would impede or otherwise interfere with an ongoing criminal investigation.
- 17 **Appropriation.**
Appropriates an unspecified amount of annual funding from the general fund to the OIG for purposes of this bill.

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- 18 **Appropriation.**
Appropriates an unspecified amount of additional annual funding from the general fund to the OLA.
- 19 **Effective date.**
Provides an effective date of July 1, 2025.

Article 2: Conforming Items and Repealers

This article modifies state grantmaking statutes, abolishes existing statutory duties concerning fraud investigation and transfers these duties, along with relevant personnel, active investigations, etc., to the OIG, and makes other conforming changes to state statutes.

Section Description – Article 2: Conforming Items and Repealers

- 1 **Other salary and compensation plans.**
Requires the Legislative Coordinating Commission (or its Subcommittee on Employee Relations) to review and approve or reject the compensation plan for employees of the OIG in the same manner that the commission reviews and approves or rejects compensation plans for the OLA.
- 2 **Grants governance.**
Requires the Department of Administration to provide leadership and direction in the development of executive branch policies that prevent fraud, misuse, and other unlawful uses of public funds in state grant programs.
- 3 **Duties.**
Modifies the Department of Administration’s grants management duties by providing that the department must require state agencies to perform unannounced monitoring visits for certain grants and withhold funds from grantees who do not submit progress reports. Limits the department’s ability to approve exceptions to these policies and requires reporting to the legislature when the department approves certain exceptions. Requires the department to revoke approved exceptions in certain circumstances.
- 4 **Reporting of violations.**
Requires state employees to report violations of grantmaking laws or rules to their supervisor, the Department of Administration, and the OLA. Under current law, state employees are encouraged to make such reports. Requires the inspector general to report to the LAC when receiving multiple reports about the same agency. Eliminates

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- language that currently restricts the information that OLA may report to the Legislative Audit Commission when OLA receives multiple complaints about the same agency.
- 5 **Audit.**
Adds OIG to the list of state entities that grantees must allow to examine the grantee’s books, records, etc., for a minimum of six years.
- 6 **Administrative costs.**
Reduces the statutory administration allowance for grants by one percentage point and requires state agencies to transfer to the OIG one percent of all money appropriated to the agency for grants.
- 7 **Criminal charge or conviction.**
Requires state grant agreements to include a clause providing that the state will immediately suspend the grant if the grantee is charged with a criminal offense relating to a state grant agreement. Retains an existing requirement that grant agreements provide that the state will cancel the grant if the grantee is convicted of such a crime.
- 8 **Mandatory reporting.**
Requires reporting of suspected fraud in the licensing of childcare programs and child foster care providers and residence settings to OIG, rather than the Office of the Inspector General in the Department of Children, Youth, and Families (DCYF).
- 9 **Mandatory reporting.**
Requires reporting of suspected fraud in Department of Human Services (DHS) licensing programs to OIG, rather than the Office of the Inspector General in the Department of Human Services.
- 10 **Use of data.**
Authorizes dissemination of unemployment insurance data to the OIG, rather than the Office of the Inspector General in the Department of Human Services.
- 11 **Data privacy.**
Authorizes dissemination of paid family leave data to the OIG, rather than the Office of the Inspector General in the Department of Human Services.
- 12 **Existing duties abolished; transfers provided.**
 Subd. 1. Duties abolished. Abolishes existing duties pertaining to the investigation of fraud, misuse, and other unlawful uses of public funds in the Minnesota Department of Education (MDE), DHS, and DCYF effective the day

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after the inspector general certifies that the OIG has assumed responsibility for these duties.

Subd. 2. Inspector general transfers. Transfers all active investigations, obligations, personnel, etc. from MDE, DHS, and DCYF to the OIG, except as provided by the inspector general.

13 Repealer.

Repeals statutes governing the MDE Office of the Inspector General.

14 Effective date.

- (a) Provides that sections 1 to 7 and 12 take effect July 1, 2025.
- (b) Provides that section 8 takes effect the day after OIG assumes responsibility for identifying and investigating fraud, etc., at DCYF.
- (c) Provides that sections 9 to 11 take effect the day after OIG assumes responsibility for identifying and investigating fraud, etc., at DHS.
- (d) Provides that section 13 takes effect the day after OIG assumes responsibility for identifying and investigating fraud, etc., at MDE.



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