

Subject Inspector general

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Overview

As amended, this bill establishes an Office of the Inspector General (OIG) in the executive branch. The governor would appoint a qualified individual to serve as inspector general (IG), subject to supermajority confirmation by the senate.

Among other things, the bill would require the OIG to oversee the work of existing agency-based inspectors general and investigate credible allegations of fraud or misuse in programs administered by state agencies.

Article 1: Office of the Inspector General

This article establishes the OIG, the Legislative Inspector General Advisory Commission, and the Inspector General Coordinating Committee. It also appropriates funding to the OIG and certain state agencies.

Section Description – Article 1: Office of the Inspector General

1 Office of the Inspector General.

Provides that the IG is an independent entity in the executive branch with specified responsibilities. Requires the inspector general to operate independently of other executive agencies and report directly to the governor. Requires the person appointed as IG to direct an Office of the Inspector General (OIG).

Effective date: Provides that this section takes effect January 1, 2027.

2 Definitions.

Defines key terms such as “fraud,” “misuse,” and “investigation.”

3 Inspector general.

Subd. 1. Minimum qualifications. Establishes minimum education, experience, and professional certification requirements for the position of IG. Restricts eligibility for former agency leaders and elected officials.

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Subd. 2. Appointment. Requires the legislative commission established in section 11 to receive applications, vet candidates, and recommend IG finalists to the governor. Authorizes the governor to appoint a qualified applicant who was not recommended by the legislative commission. Requires confirmation by a 3/5 supermajority of the senate.

Subd. 3. Term. Sets a five-year term for the IG, with potential for unlimited additional terms if each is confirmed by a 3/5 senate supermajority.

Subd. 4. Vacancy. Establishes deadlines for the legislative commission to submit recommended candidates to the governor.

Subd. 5. Disclosure. Requires IG candidates and appointees to disclose all political affiliations or other partisan activity prior to senate confirmation.

Subd. 6. Nonpartisanship. Requires the IG and all OIG employees to perform their duties without regard to partisan preference or influence and to refrain from partisan activities unless protected by the state or federal constitution.

Subd. 7. Removal. Limits the governor's ability to remove an IG before the IG's term expires. Allows the governor to remove an IG only for cause after both a public hearing and approval by 3/5 of the senate and the house of representatives.

Effective date: Provides that this section takes effect January 1, 2027.

4 Duties and powers.

Subd. 1. Duties. Establishes 13 separate duties for the IG, including guiding, supporting, and evaluating the work of the separate offices of inspector general that exist within certain state agencies; establishing pre-payment review procedures for all agencies; investigating public and private entities that receive public funds; alerting relevant state agencies when the inspector general has a credible allegation of fraud or misuse; and maintaining an exclusion list that includes each program and individual for which the inspector general has obtained a court order to freeze or cease payment.

Subd. 2. Relationship to powers and duties of other agencies. Grants the IG authority to investigate fraud and misuse in any program administered by a state agency while identifying those agencies that have primary investigatory responsibility for specific programs. Prohibits agencies with their own internal inspector general from firing or otherwise removing a person from that position without first obtaining written approval from the IG. Requires the IG to refer

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credible reports to the legislative auditor, and to the Department of Human Services when the reports pertain to Medicaid.

Subd. 3. Alerting agency of issue; seeking a court order to freeze funds.

Authorizes the IG to seek a court order to stop an agency from distributing public funds in certain circumstances when the IG has a credible allegation that fraud or misuse is occurring. Requires the IG, working with the applicable agency, to ensure that impacted Minnesotans who are not implicated in the suspected wrongdoing are notified of their rights.

Subd. 4. Exceptions for federal funding. Prohibits the IG from complying with this section if compliance would prevent the state from receiving federal funding for Medical Assistance (Medicaid) or result in a lower level of coverage or reduced access to coverage for Medical Assistance enrollees.

Effective date: Provides that this section takes effect January 1, 2027, except for specified portions that require federal approval which will take effect later if federal approval is not received by January 1, 2027.

5 **Auxiliary powers.**

Grants the IG subpoena powers in all matters relating to the IG's official duties. Requires public officials, employees, and private entities that receive public funds to cooperate with the IG's inquiries. Requires district courts, when requested by the IG, to compel obedience or punish disobedience as for contempt when a person does not obey a lawful direction by the IG or provide requested information to the IG in response to an IG order or subpoena. Establishes a gross misdemeanor crime for swearing falsely to the IG under oath.

Effective date: Provides that this section takes effect January 1, 2027.

6 **Identification of fraud reporting tool.**

Requires state agencies to prominently post on the agency's website the separate fraud reporting tools administered by the OIG and the legislative auditor. Requires all state grantees to do the same for the duration of the grant agreement.

Effective date: Provides that this section takes effect January 1, 2027.

7 **Data practices.**

Subd. 1. Definitions. Defines key terms by reference to the Government Data Practices Act.

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Subd. 2. Government Data Practices Act. Provides that the IG is subject to the state’s data practices act. (Under this act, the general presumption is that data created or maintained by the state is public unless otherwise provided by law.)

Subd. 3. Access. Provides the IG access to data of any classification in order to perform the IG’s duties, and that agencies do not violate state data classification laws by sharing data with the IG pursuant to a subpoena.

Subd. 4. Dissemination. Authorizes the IG to disseminate data of any classification to named entities.

Subd. 5. Data classifications; civil investigations. Limits public access to investigative data while an IG investigation is active, and provides that this data becomes public once the investigation is complete except in certain specified circumstances including when an individual supplies information based on an assurance of anonymity. Provides that, however, investigative data does not become public and instead becomes private or nonpublic data when the IG decides to no longer actively pursue an investigation, except for certain specified data such as a general description of the investigation and its disposition. Provides that nothing in this act requires disclosure of information that is legally privileged under law.

Subd. 6. Privileges. Provides that nothing in this act requires the disclosure of information to or by the IG when the information is legally privileged by law.

Effective date: Provides that this section takes effect January 1, 2027.

8 Resources.

Authorizes the IG to hire and manage staff in accordance with state civil service statutes. Requires the IG to employ at least one attorney. Specifies that except for the IG, who serves in the unclassified service, all other OIG employees serve in the classified service (and therefore may only be fired for cause). Provides for the compensation of OIG employees and specifies that compensation for classified OIG employees who are represented by a state employee union is governed by the relevant collective bargaining agreement. Allows the IG to contract with external experts for professional and technical services that are intellectual in character and result in the production of a report or the completion of a task (see Minn. Stat. § 16C.08).

Effective date: Provides that this section takes effect January 1, 2027.

9 Reporting and transparency.

Requires the IG to issue public reports detailing completed investigations and corrective actions. Requires the IG to maintain fraud and misuse tip lines that allow

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for anonymous reporting. Requires the IG to report each December regarding all investigations the IG did not open after receiving a tip or decided to no longer actively pursue, which must include certain specified summary data.

Effective date: Provides that this section takes effect January 1, 2027.

10 Professional standards and review.

Requires the IG to adhere to professional standards as promulgated by the Association of Inspectors General or other recognized bodies. Authorizes the governor to contract for external review of the IG every three years with findings made public.

Effective date: Provides that this section takes effect January 1, 2027.

11 Legislative inspector general advisory commission.

Establishes an eight-member joint house-senate commission to recommend IG candidates to the governor. The commission would have equal representation between the house and senate and between the two largest caucuses in each house. Authorizes the commission to conduct hearings to review the IG's impartiality, independence, and effectiveness.

Effective date: Provides that this section is effective the day following final enactment.

12 Inspector General Coordinating Committee.

Establishes an executive branch committee to coordinate the work of the OIG, agencies with their own internal inspector general, the Bureau of Criminal Apprehension, and the Departments of Administration and Management and Budget. Requires the committee to meet monthly to share information, assist with the IG's development of methods and best practices for agency programs, and assist agencies in securing necessary skills and tools.

Effective date: Provides that this section takes effect January 1, 2027.

13 Office of the Inspector General establishment.

Establishes deadlines for initial IG candidate recommendations and appointment. Requires the OIG to be fully operational by September 1, 2027. Requires the Department of Administration to provide office space for the OIG.

Effective date: Provides that this section is effective the day following final enactment.

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14 Legislative Inspector General Advisory Commission; initial appointments and first meeting.

Establishes deadlines for initial appointments to the legislative commission, requires the senate majority leader to designate a senator to convene the first meeting by September 15, 2026, and requires the commission to elect a chair during its first meeting.

Effective date: Provides that this section is effective the day following final enactment.

15 Interagency agreements.

Requires the OIG to enter into separate agreements with the Department of Human Services; the Department of Children, Youth, and Families; the Department of Health; and the Department of Education. Among other things, these agreements will govern how the agencies and the OIG will coordinate any joint fraud and misuse investigations, including cost-sharing. Prohibits these agreements from limiting the OIG's authority, powers, or responsibilities.

Effective date: Provides that this section takes effect January 1, 2027, except for the paragraph governing the Department of Human Services, which will take effect later if federal approval is not received by January 1, 2027.

16 Appropriations.

Appropriates money to the OIG and specified agencies for purposes of this act.

Article 2: Conforming Items

Among other things, this article contains provisions pertaining to cooperation between the OIG and the legislative auditor, designating OIG staff as public officials, modifying program integrity statutes for the Department of Education, and requiring agencies with primary investigative authority over specified programs to submit final investigative reports to the OIG.

Section Description – Article 2: Conforming Items

1 Public reports of fraud and misuse.

Requires the legislative auditor to refer all credible public reports of fraud or misuse to the IG and coordinate reviews and investigations with the IG when such coordination conserves resources without compromising the review or investigation.

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2 Public official.

Provides that the IG and all OIG employees are public officials for purposes of Minn. Stat. ch. 10A. With this designation, OIG staff would be required to file annual statements of economic interest with the Campaign Finance and Public Disclosure Board, declare in writing potential conflicts of interest that may arise in the performance of official duties, and decline gifts from lobbyists and other individuals or entities that attempt to influence public decision-making.

3 Agency head salaries.

Adds the IG to a list of executive branch agency heads whose compensation is determined by the state's Compensation Council.

4 Limits on receiving public funds; prohibition.

Authorizes the Department of Education to place limits on the receipt of department funds by excluded individuals and entities that are not school districts, charter schools, cooperative units, or libraries.

5 Notice.

Requires the Department of Education to notify within five days any program participant that the department takes action against under section 4.

6 Appeal.

Authorizes a program participant to request appeal of an action taken by the Department of Education under section 4. If the appeal request is filed with the department within 30 days of the notice required under section 5 and includes all information required under this section, the appeal would be considered by an administrative law judge in the Court of Administrative Hearings.

7 Withholding of payments.

Requires the Department of Education's inspector general to recommend that the commissioner withhold payment to a program participant if the inspector general determines there is a credible allegation of fraud or misuse for which an investigation is pending for any program administered by a state or federal agency. Specifies which classes of allegation are to be considered credible. Provides that a withholding under this section must end when the inspector general determines there is insufficient evidence of fraud.

8 Office of the Inspector General; reports.

Requires the Department of Education to submit final investigative reports pertaining to alleged fraud or misuse in department programs to the IG.

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- 9 **Office of the Inspector General; reports.**
Requires the Department of Children, Youth, and Families to submit final investigative reports pertaining to alleged fraud or misuse in the child care assistance program to the IG.
- 10 **Withholding of payments.**
Expands the definition of “credible allegation of fraud” for purpose of payment withholding by the Department of Children, Youth, and Families to include information provided by the IG.
- 11 **Office of the Inspector General; reports.**
Requires the Department of Human Services to submit final investigative reports pertaining to alleged fraud or misuse in the special supplemental nutrition program for women, infants, and children to the IG.
- 12 **Withholding of payments.**
Expands the definition of “credible allegation of fraud” for purpose of payment withholding by the Department of Human Services to include information provided by the IG.
- 13 **Office of the Inspector General; reports.**
Requires the Department of Human Services to submit final investigative reports pertaining to alleged fraud or misuse in the Medicaid program to the IG.
- 14 **Legislative auditor and inspector general.**
Expands the existing duty of employees and officers of the state, University of Minnesota, and certain quasi-state entities to report evidence of the unlawful use of public funds to the legislative auditor. Authorizes these employees and officers to report this information to the IG instead. Eliminates an existing exception to this duty.



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