

1.1 Schomacker from the Committee on Human Services Finance and Policy to which was
1.2 referred:

1.3 H. F. No. 1, A bill for an act relating to state government; establishing an Office of the
1.4 Inspector General; providing powers; specifying duties; requiring fraud reporting tools;
1.5 transferring grant oversight duties and powers; modifying or repealing existing executive
1.6 Offices of Inspector General; appropriating money; amending Minnesota Statutes 2024,
1.7 sections 3.855, subdivision 3; 3.97, subdivision 1, by adding subdivisions; 3.971, subdivisions
1.8 1, 9; 142B.53; 245A.24; 268.19, subdivision 1; 268B.30; 609.456, subdivision 2, by adding
1.9 a subdivision; proposing coding for new law in Minnesota Statutes, chapters 3; 15; repealing
1.10 Minnesota Statutes 2024, sections 13.321, subdivision 12; 127A.21.

1.11 Reported the same back with the following amendments:

1.12 Delete everything after the enacting clause and insert:

1.13 **"ARTICLE 1**
1.14 **OFFICE OF THE INSPECTOR GENERAL**

1.15 Section 1. Minnesota Statutes 2024, section 3.97, subdivision 1, is amended to read:

1.16 Subdivision 1. **Policy.** Continuous legislative review of the spending of public funds
1.17 and financing at all levels of government is required in the public interest to enable the
1.18 enactment of appropriate legislation. Fraud, misuse, and other unlawful uses of public funds
1.19 are unacceptable and must be prevented. If fraud, misuse, or other unlawful use of public
1.20 funds occurs, it must be promptly identified and prosecuted to the fullest extent of the law.

1.21 Sec. 2. Minnesota Statutes 2024, section 3.97, is amended by adding a subdivision to read:

1.22 Subd. 3c. **Complementary.** The commission must ensure that the work of the inspector
1.23 general is complementary to, and not duplicative of, that of the legislative auditor.

2.1 Sec. 3. Minnesota Statutes 2024, section 3.97, is amended by adding a subdivision to read:

2.2 Subd. 3d. **Executive secretaries.** The legislative auditor and the inspector general are
 2.3 the executive secretaries of the commission.

2.4 Sec. 4. Minnesota Statutes 2024, section 3.971, subdivision 1, is amended to read:

2.5 Subdivision 1. **Appointment and term.** ~~The legislative auditor is the executive secretary~~
 2.6 ~~of the commission.~~ The legislative auditor shall be appointed by the commission for a
 2.7 six-year term and serve in the unclassified service. When in office, the legislative auditor
 2.8 may not at any time hold any other public office. The legislative auditor may not be removed
 2.9 from office before the expiration of the term of service except for cause after public hearing.

2.10 Sec. 5. Minnesota Statutes 2024, section 3.971, subdivision 9, is amended to read:

2.11 Subd. 9. **Obligation to notify the legislative auditor.** The chief executive, financial,
 2.12 or information officers of an organization subject to audit under this section must promptly
 2.13 notify the legislative auditor when the officer obtains information indicating that (1) public
 2.14 money or other public resources may have been used for an unlawful purpose, or when the
 2.15 ~~officer obtains information indicating that (2) government data classified by chapter 13 as~~
 2.16 not public may have been accessed by or provided to a person without lawful authorization.
 2.17 The legislative auditor must notify and coordinate with the inspector general when the
 2.18 legislative auditor receives a credible notification under clause (1) that is within the inspector
 2.19 general's authority. As necessary, the legislative auditor shall coordinate an investigation
 2.20 of the allegation with appropriate law enforcement officials.

2.21 Sec. 6. **[3.99] DEFINITIONS.**

2.22 Subdivision 1. **Application.** For purposes of sections 3.991 to 3.998, the following terms
 2.23 have the meanings given.

2.24 Subd. 2. **Agency.** "Agency" means any entity subject to audit under section 3.971,
 2.25 subdivision 6, or section 3.972, subdivision 2.

2.26 Subd. 3. **Fraud.** "Fraud" means an intentional or deliberate act to deprive another of
 2.27 property or money or to acquire property or money by deception or other unfair means.
 2.28 Fraud includes intentionally submitting false information to the state, a political subdivision,
 2.29 or a private entity under contract with the state or a political subdivision for the purpose of
 2.30 obtaining a greater compensation or benefit than that to which the person is legally entitled.
 2.31 Fraud also includes failure to correct errors in the maintenance of records in a timely manner
 2.32 after a request by the state.

3.1 Subd. 4. **Inspector general.** "Inspector general" means the person appointed under
 3.2 section 3.991 or an employee of the office designated by the inspector general.

3.3 Subd. 5. **Investigation.** "Investigation" means a proceeding or inquiry by the office
 3.4 concerning a provider or recipient of state-funded services.

3.5 Subd. 6. **Office.** "Office" means the Office of the Inspector General.

3.6 Subd. 7. **Program.** "Program" or "state program" means any program fully or partially
 3.7 administered or funded by the state.

3.8 Subd. 8. **Recipient of state funds.** "Recipient of state funds" means any entity or person,
 3.9 including associated persons, that receives, disburses, or has custody of funds or other
 3.10 resources transferred or disbursed under a program. Recipient of state funds includes but
 3.11 is not limited to a private person or entity currently or formerly under contract with the state
 3.12 to provide benefits, goods, or services to eligible recipients.

3.13 Sec. 7. **[3.991] OFFICE OF THE INSPECTOR GENERAL.**

3.14 Subdivision 1. **Establishment.** The Office of the Inspector General is established in the
 3.15 legislative branch under the direction of the inspector general. The inspector general reports
 3.16 to the Legislative Audit Commission but may independently initiate investigations and
 3.17 allocate the resources of the office to effectively achieve the purpose in subdivision 2.

3.18 Subd. 2. **Purpose.** The inspector general must investigate and combat suspected fraud,
 3.19 misuse, and other unlawful uses of public funds in state government with a focus on the
 3.20 providers and recipients of state-funded services.

3.21 Subd. 3. **Inspector general appointment; term.** (a) The Legislative Audit Commission
 3.22 must appoint an inspector general to serve in the unclassified service for a six-year term.
 3.23 When in office, the inspector general may not at any time hold another public office. The
 3.24 commission may not remove an inspector general from office before the expiration of the
 3.25 term of service except for cause after public hearing.

3.26 Subd. 4. **Qualifications.** The commission must select an inspector general without regard
 3.27 to political affiliation and on the basis of outstanding professional qualifications and
 3.28 demonstrated integrity, leadership, and ability in accounting, auditing, financial analysis,
 3.29 law, management analysis, public administration, investigation, criminal justice, or a related
 3.30 field. The inspector general must hold at the time of appointment, or be required by the
 3.31 commission to obtain within a time certain after appointment, certification from the
 3.32 Association of Inspectors General.

4.1 Subd. 5. **Staff; compensation.** (a) The inspector general must appoint a deputy inspector
4.2 general, with the approval of the commission, for a term coterminous with the inspector
4.3 general's term. The deputy inspector general may be removed by the commission or the
4.4 inspector general before the expiration of the deputy's term only for cause. The inspector
4.5 general and deputy inspector general may each appoint an administrative support specialist
4.6 to serve at pleasure. The deputy inspector general may perform and exercise the powers,
4.7 duties, and responsibilities imposed by law on the inspector general when authorized by
4.8 the inspector general.

4.9 (b) The inspector general must hire assistant inspectors general and other staff as required,
4.10 in the inspector general's estimation, to administer sections 3.991 to 3.998 and other relevant
4.11 law.

4.12 (c) The salaries and benefits of the inspector general, deputy inspector general,
4.13 administrative support specialists, assistant inspectors general, and other staff must be
4.14 determined by a compensation plan approved by the Legislative Coordinating Commission.

4.15 (d) All employees of the Office of the Inspector General serve in the unclassified service.

4.16 (e) Notwithstanding section 43A.32, subdivision 3, or any other law to the contrary, an
4.17 employee of the Office of the Inspector General is prohibited from being a candidate for a
4.18 partisan elected public office.

4.19 **Sec. 8. [3.992] DUTIES.**

4.20 The inspector general must:

4.21 (1) provide general direction and leadership for the office and its staff;

4.22 (2) embed assistant inspectors general, and other staff as determined by the inspector
4.23 general, within the Departments of Children, Youth, and Families; Corrections; Education;
4.24 Employment and Economic Development; Health; Human Services; and Labor and Industry;

4.25 (3) develop and maintain a website and telephone hotline for state agency staff and the
4.26 public to report suspected fraud, misuse, or other unlawful use of public funds in state
4.27 programs, and to do so anonymously if they so choose;

4.28 (4) establish policies and procedures for evaluating and consistently responding to each
4.29 tip received under clause (3);

4.30 (5) notify and coordinate with the legislative auditor when the inspector general receives
4.31 a credible report of suspected fraud, misuse, or other unlawful use of public funds that is
4.32 within the legislative auditor's authority;

5.1 (6) establish and maintain policies and procedures for conducting investigations;

5.2 (7) report suspected fraud, misuse, or other unlawful use of public funds to the appropriate
 5.3 law enforcement entity and cooperate with law enforcement to assist any investigation and
 5.4 subsequent civil or criminal prosecution;

5.5 (8) perform enhanced legislative oversight of state grantmaking as provided in section
 5.6 3.994; and

5.7 (9) exercise all other powers reasonably necessary to implement and administer sections
 5.8 3.991 to 3.998 and other applicable law.

5.9 The inspector general must submit policies to the Legislative Audit Commission for review
 5.10 at least 30 days prior to adoption or substantial revision. Procedures developed by the
 5.11 inspector general under clauses (4) and (6) are nonpublic data.

5.12 **Sec. 9. [3.993] POWERS.**

5.13 Notwithstanding any law to the contrary, the inspector general may exercise the following
 5.14 powers as necessary to conduct investigations and achieve the purpose of sections 3.991 to
 5.15 3.998:

5.16 (1) require the commissioner or other chief executive officer of an agency to provide
 5.17 full and unrestricted access to all government data, regardless of classification, created and
 5.18 maintained by the agency;

5.19 (2) require a recipient of state funds to provide full and unrestricted access to all records,
 5.20 reports, plans, contracts, memoranda, correspondence, and other information created or
 5.21 maintained by the recipient;

5.22 (3) require a recipient of state funds to provide the inspector general, upon presentation
 5.23 of official credentials, access at reasonable times and without delay to sites and facilities
 5.24 owned or operated by the recipient;

5.25 (4) subpoena witnesses, administer oaths or affirmations, take testimony, and compel
 5.26 the production of the data specified under clauses (1) and (2) as the inspector general deems
 5.27 necessary;

5.28 (5) recommend that the commissioner of administration for state grants, or the
 5.29 commissioner of management and budget for all other state funds, impose, in consultation
 5.30 with law enforcement, appropriate temporary sanctions including the withholding of payment
 5.31 to a recipient of state funds, if:

6.1 (i) the inspector general determines there is credible indicia of fraud, misuse, or other
 6.2 unlawful use of public funds by the recipient;

6.3 (ii) there was a criminal, civil, or administrative adjudication of fraud, misuse, or other
 6.4 unlawful use of public funds against the recipient in Minnesota or in another state or
 6.5 jurisdiction;

6.6 (iii) the recipient was receiving funds under any contract or registered in any program
 6.7 administered by another Minnesota state agency, a government agency in another state, or
 6.8 a federal agency, and was under investigation or excluded from that contract or program
 6.9 for reasons credibly indicating fraud, misuse, or other unlawful use of public funds by the
 6.10 recipient; or

6.11 (iv) the recipient demonstrates a pattern of noncompliance with an investigation.

6.12 When the inspector general makes a recommendation under this clause, the inspector general
 6.13 must immediately notify the Legislative Audit Commission;

6.14 (6) require state employees to fully cooperate with an investigation of suspected fraud,
 6.15 misuse, or other unlawful use of public funds;

6.16 (7) recommend actions to be taken by an agency to prevent fraud, misuse, and other
 6.17 unlawful uses of public funds;

6.18 (8) require agencies to provide suitable office space and facilities access for inspector
 6.19 general staff embedded within the agency; and

6.20 (9) monitor the implementation of requirements and recommendations issued by the
 6.21 office.

6.22 **Sec. 10. [3.994] ENHANCED OVERSIGHT OF STATE GRANTMAKING.**

6.23 The inspector general must provide enhanced legislative oversight of state grantmaking,
 6.24 including but not limited to:

6.25 (1) monitoring the commissioner of administration's development and implementation
 6.26 of policies under sections 16B.97 to 16B.991, and providing formal recommendations to
 6.27 the commissioner of administration and the Legislative Audit Commission;

6.28 (2) monitoring the commissioner of administration's suspension or debarment of grantees
 6.29 under section 16B.97, subdivision 3, clause (6), and recommending to the commissioner
 6.30 the suspension or debarment of specific grantees as necessary, in the inspector general's
 6.31 judgment, to prevent or minimize fraud, misuse, and other unlawful uses of public funds.

6.32 When the inspector general makes a recommendation to the commissioner of administration

7.1 under this clause, the inspector general must immediately report to the Legislative Audit
7.2 Commission;

7.3 (3) monitoring the commissioner of administration's receipt and disposition of comments
7.4 under section 16B.97, subdivision 4, clause (6), concerning alleged state agency violations
7.5 of state grants management policies and fraud, misuse, or other unlawful use of state funds
7.6 in grant programs; and

7.7 (4) monitoring state agency compliance with state grantmaking laws and policies,
7.8 including but not limited to the site visit and progress report requirements under section
7.9 16B.97, subdivision 4, clause (11).

7.10 **Sec. 11. [3.995] DATA PRACTICES.**

7.11 (a) The inspector general has access to all government data regardless of classification.

7.12 (b) It is not a violation of rights conferred by chapter 13 or any other statute related to
7.13 the confidentiality of government data for an agency to provide data or information to the
7.14 inspector general.

7.15 (c) The inspector general is subject to the Government Data Practices Act, chapter 13,
7.16 and must protect from unlawful disclosure data classified as not public. Data collected,
7.17 created, received, or maintained by the inspector general relating to an investigation are
7.18 subject to section 13.39.

7.19 (d) If data provided by the inspector general to the Legislative Audit Commission is
7.20 disseminated by the commission or its members or agents in violation of section 13.05,
7.21 subdivision 4, the commission is subject to liability under section 13.08, subdivisions 1 and
7.22 3. Members of the commission have access to not public data that is collected or used by
7.23 the inspector general only as authorized by resolution of the commission. The commission
7.24 may not authorize its members to have access to private or confidential data on individuals
7.25 collected or used in connection with the collection of any tax.

7.26 **Sec. 12. [3.996] RETALIATION PROHIBITED.**

7.27 An employee or other individual who discloses information to an agency or the inspector
7.28 general about fraud, misuse, or other unlawful use of public funds in state programs is
7.29 protected under section 181.932, governing disclosure of information by employees.

8.1 Sec. 13. **[3.997] INTERFERENCE PROHIBITED.**

8.2 No state employee may interfere with or obstruct an investigation conducted pursuant
 8.3 to sections 3.991 to 3.998.

8.4 Sec. 14. **[3.998] REPORTING REQUIRED.**

8.5 When the inspector general documents the existence of suspected fraud, misuse, or other
 8.6 unlawful use of public funds in an agency or program administered by an agency, the
 8.7 inspector general must quantify the amount of suspected fraud, misuse, and other unlawful
 8.8 use of public funds and report this amount to the Legislative Audit Commission and the
 8.9 chairs and ranking minority members of the legislative committees with jurisdiction over
 8.10 the agency's operating budget.

8.11 Sec. 15. **[15.442] DETECTION AND PREVENTION OF FRAUD AND OTHER**
 8.12 **MISUSES OF PUBLIC FUNDS.**

8.13 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
 8.14 the meanings given.

8.15 (b) "Agency" has the meaning given in section 3.99.

8.16 (c) "Obligated officer" means an agency's:

8.17 (1) chief executive officer;

8.18 (2) deputy and assistant chief executive officers;

8.19 (3) chief administrative, chief financial, chief information, and chief investigative officers;

8.20 (4) heads of divisions, bureaus, departments, institutes, or other such organizational
 8.21 units; and

8.22 (5) where applicable, board chair.

8.23 Subd. 2. Suspected fraud or other misuse. Notwithstanding any law to the contrary,
 8.24 if an obligated officer finds or receives credible indicia of fraud, misuse, or other unlawful
 8.25 use of public funds in a grant program or other program administered by the agency, the
 8.26 agency must:

8.27 (1) report to the appropriate law enforcement entity;

8.28 (2) report to the inspector general and the legislative auditor under section 609.456;

8.29 (3) fully cooperate with law enforcement and the inspector general, including but not
 8.30 limited to assisting in any investigation and subsequent civil or criminal prosecution; and

9.1 (4) if approved or directed by law enforcement, stop payment, increase oversight, or
 9.2 take other action necessary to prevent further suspected fraud or misuse of public funds in
 9.3 the program.

9.4 Subd. 3. **Identification of fraud reporting tools.** (a) The commissioner or other chief
 9.5 executive officer of each agency must prominently highlight on the agency's website the
 9.6 fraud reporting tools administered by the Office of the Inspector General and the Office of
 9.7 the Legislative Auditor under chapter 3.

9.8 (b) As part of any grant agreement between the state and a nonprofit organization, the
 9.9 agreement must require the nonprofit organization to prominently highlight on the
 9.10 organization's website the fraud reporting tools administered by the Office of the Inspector
 9.11 General and the Office of the Legislative Auditor under chapter 3. The state agency
 9.12 administering the grant must regularly confirm and document the organization's compliance
 9.13 with the requirement under this paragraph for the life of the grant agreement.

9.14 Sec. 16. Minnesota Statutes 2024, section 609.456, subdivision 2, is amended to read:

9.15 Subd. 2. **Legislative auditor and inspector general.** Whenever an employee or officer
 9.16 of the state, University of Minnesota, or other organization listed in section 3.971, subdivision
 9.17 6, discovers evidence of fraud, theft, embezzlement, or other unlawful use of public funds
 9.18 or property, the employee or officer shall, ~~except when to do so would knowingly impede~~
 9.19 ~~or otherwise interfere with an ongoing criminal investigation,~~ promptly report in writing to
 9.20 the legislative auditor and inspector general a detailed description of the alleged incident
 9.21 or incidents.

9.22 Sec. 17. **APPROPRIATION.**

9.23 \$..... in fiscal year 2026 and \$..... in fiscal year 2027 are appropriated from the general
 9.24 fund to the inspector general for purposes of this act.

9.25 Sec. 18. **APPROPRIATION.**

9.26 \$..... in fiscal year 2026 and \$..... in fiscal year 2027 are appropriated from the general
 9.27 fund to the legislative auditor. The amount each year is in addition to the legislative auditor's
 9.28 base general fund budget.

9.29 Sec. 19. **EFFECTIVE DATE.**

9.30 This article is effective July 1, 2025.

10.1

ARTICLE 2

10.2

CONFORMING ITEMS AND REPEALERS

10.3 Section 1. Minnesota Statutes 2024, section 3.855, subdivision 3, is amended to read:

10.4 Subd. 3. **Other salary and compensation ~~plan~~ plans.** The commission shall review
10.5 and approve or reject the plan for compensation, terms, and conditions of employment of
10.6 classified employees in the office of the legislative auditor under section 3.971, subdivision
10.7 2, and a plan for compensation, terms, and conditions of employment for employees of the
10.8 Office of the Inspector General under section 3.991, subdivision 5.

10.9 Sec. 2. Minnesota Statutes 2024, section 16B.97, subdivision 2, is amended to read:

10.10 Subd. 2. **Grants governance.** The commissioner shall provide leadership and direction
10.11 for policy related to grants management in Minnesota in order to foster more consistent,
10.12 streamlined interaction between executive agencies, funders, and grantees that will enhance
10.13 access to grant opportunities and information, prevent fraud, misuse, and other unlawful
10.14 uses of public funds, and lead to greater program accountability and transparency. The
10.15 commissioner has the duties and powers stated in this section. Executive agencies shall
10.16 fully cooperate with the commissioner in the creation, management, and oversight of state
10.17 grants and must do what the commissioner requires under this section. The commissioner
10.18 may adopt rules to carry out grants governance, oversight, and management.

10.19 Sec. 3. Minnesota Statutes 2024, section 16B.97, subdivision 4, is amended to read:

10.20 Subd. 4. **Duties.** (a) The commissioner shall:

10.21 (1) create general grants management policies and procedures that are applicable to all
10.22 executive agencies. The commissioner may approve exceptions to these policies and
10.23 procedures for particular grant programs, however the commissioner must not approve an
10.24 exception to the requirements under clause (11) for any grant over \$500,000. Exceptions
10.25 shall expire or be renewed after five years. The commissioner must report each approved
10.26 exception to the inspector general and the chairs and ranking minority members of the
10.27 legislative committees with jurisdiction over the agency. If a grant is suspended under
10.28 section 16B.991, subdivision 1, the commissioner must revoke for at least 12 months any
10.29 approved exception to the requirements under clause (11) for that particular grant program,
10.30 but the commissioner's revocation only applies to any grant over \$50,000. Executive agencies
10.31 shall retain management of individual grants programs;

- 11.1 (2) provide a central point of contact concerning statewide grants management policies
11.2 and procedures;
- 11.3 (3) serve as a resource to executive agencies in such areas as training, evaluation,
11.4 collaboration, and best practices in grants management;
- 11.5 (4) ensure grants management needs are considered in the development, upgrade, and
11.6 use of statewide administrative systems and leverage existing technology wherever possible;
- 11.7 (5) oversee and approve future professional and technical service contracts and other
11.8 information technology spending related to executive agency grants management systems
11.9 and activities;
- 11.10 (6) provide a central point of contact for comments about executive agencies violating
11.11 statewide grants governance policies and about fraud, misuse, and ~~waste~~ other unlawful
11.12 uses of public funds in grants processes;
- 11.13 (7) forward received comments to the appropriate agency for further action, and may
11.14 follow up as necessary;
- 11.15 (8) provide a single listing of all available executive agency competitive grant
11.16 opportunities and resulting grant recipients;
- 11.17 (9) selectively review development and implementation of executive agency grants,
11.18 policies, and practices; ~~and~~
- 11.19 (10) selectively review executive agency compliance with best practices; and
- 11.20 (11) require executive agencies to:
- 11.21 (i) conduct at least one in-person, unannounced monitoring visit before final payment
11.22 is made for any grant over \$50,000 and at least annual in-person, unannounced monitoring
11.23 visits for any grant over \$250,000; and
- 11.24 (ii) withhold funds from any grantee that does not submit a progress report required
11.25 under the grant agreement until the grantee submits a satisfactory report, unless the grantee's
11.26 inability to submit a progress report is caused by the executive agency, including but not
11.27 limited to a malfunction or failure of the executive agency's grant portal.
- 11.28 (b) The commissioner may determine that it is cost-effective for agencies to develop
11.29 and use shared grants management technology systems. This system would be governed
11.30 under section 16E.01, subdivision 3, paragraph (b).

12.1 Sec. 4. Minnesota Statutes 2024, section 16B.98, subdivision 4, is amended to read:

12.2 Subd. 4. **Reporting of violations.** A state employee who discovers evidence of violation
 12.3 of laws or rules governing grants ~~is encouraged to~~ must report the violation or suspected
 12.4 violation to the employee's supervisor, the commissioner or the commissioner's designee,
 12.5 the inspector general, or the legislative auditor. If the state employee notifies the employee's
 12.6 supervisor, the commissioner, or the commissioner's designee, then the supervisor,
 12.7 commissioner, or commissioner's designee must immediately notify the inspector general
 12.8 and the legislative auditor. The ~~legislative auditor~~ inspector general shall report to the
 12.9 Legislative Audit Commission if there are multiple complaints about the same agency. ~~The~~
 12.10 ~~auditor's report to the Legislative Audit Commission under this section must disclose only~~
 12.11 ~~the number and type of violations alleged.~~ An employee making a good faith report under
 12.12 this section has the protections provided for under section 181.932, prohibiting the employer
 12.13 from discriminating against the employee.

12.14 Sec. 5. Minnesota Statutes 2024, section 16B.98, subdivision 8, is amended to read:

12.15 Subd. 8. **Audit.** (a) A grant agreement made by an executive agency must include an
 12.16 audit clause that provides that the books, records, documents, and accounting procedures
 12.17 and practices of the grantee or other party that are relevant to the grant or transaction are
 12.18 subject to examination by the commissioner, the granting agency, the inspector general,
 12.19 and either the legislative auditor or the state auditor, as appropriate, for a minimum of six
 12.20 years from the grant agreement end date, receipt and approval of all final reports, or the
 12.21 required period of time to satisfy all state and program retention requirements, whichever
 12.22 is later. If a grant agreement does not include an express audit clause, the audit authority
 12.23 under this subdivision is implied.

12.24 (b) If the granting agency is a local unit of government, and the governing body of the
 12.25 local unit of government requests that the state auditor examine the books, records,
 12.26 documents, and accounting procedures and practices of the grantee or other party according
 12.27 to this subdivision, the granting agency shall be liable for the cost of the examination. If
 12.28 the granting agency is a local unit of government, and the grantee or other party requests
 12.29 that the state auditor examine all books, records, documents, and accounting procedures
 12.30 and practices related to the grant, the grantee or other party that requested the examination
 12.31 shall be liable for the cost of the examination.

13.1 Sec. 6. Minnesota Statutes 2024, section 16B.98, subdivision 14, is amended to read:

13.2 Subd. 14. **Administrative costs.** Unless amounts are otherwise appropriated for
 13.3 administrative costs, a state agency may retain up to ~~five~~ four percent of the amount
 13.4 appropriated to the agency for grants enacted by the legislature and formula grants and up
 13.5 to ~~ten~~ nine percent for competitively awarded grants. ~~This subdivision applies to~~
 13.6 ~~appropriations made for new grant programs enacted on or after July 1, 2023.~~ The state
 13.7 agency must transfer one percent of the amount appropriated to the agency for grants to the
 13.8 inspector general established under section 3.991. This subdivision does not apply to grants
 13.9 funded with an appropriation of proceeds from the sale of state general obligation bonds.

13.10 Sec. 7. Minnesota Statutes 2024, section 16B.991, subdivision 1, is amended to read:

13.11 Subdivision 1. **Criminal charge or conviction.** Each grant agreement subject to sections
 13.12 16B.97 and 16B.98 must provide that the agreement will immediately be ~~terminated~~
 13.13 suspended if the recipient is ~~convicted of~~ charged with a criminal offense relating to a state
 13.14 grant agreement and terminated if the recipient is convicted.

13.15 Sec. 8. Minnesota Statutes 2024, section 142B.53, is amended to read:

13.16 **142B.53 MANDATORY REPORTING.**

13.17 Any individual engaging in licensing functions and activities under this chapter, including
 13.18 authorities delegated under section 142B.30, must immediately report any suspected fraud
 13.19 to county children, youth, and families investigators ~~or~~ and the ~~Department of Children,~~
 13.20 ~~Youth, and Families~~ Office of the Inspector General.

13.21 Sec. 9. Minnesota Statutes 2024, section 245A.24, is amended to read:

13.22 **245A.24 MANDATORY REPORTING.**

13.23 Any individual engaging in licensing functions and activities under this chapter, including
 13.24 authorities delegated under section 245A.16, must immediately report any suspected fraud
 13.25 to county human services investigators or the ~~Department of Human Services~~ Office of the
 13.26 Inspector General.

13.27 Sec. 10. Minnesota Statutes 2024, section 268.19, subdivision 1, is amended to read:

13.28 Subdivision 1. **Use of data.** (a) Except as provided by this section, data gathered from
 13.29 any person under the administration of the Minnesota Unemployment Insurance Law are
 13.30 private data on individuals or nonpublic data not on individuals as defined in section 13.02,
 13.31 subdivisions 9 and 12, and may not be disclosed except according to a district court order

14.1 or section 13.05. A subpoena is not considered a district court order. These data may be
14.2 disseminated to and used by the following agencies without the consent of the subject of
14.3 the data:

14.4 (1) state and federal agencies specifically authorized access to the data by state or federal
14.5 law;

14.6 (2) any agency of any other state or any federal agency charged with the administration
14.7 of an unemployment insurance program;

14.8 (3) any agency responsible for the maintenance of a system of public employment offices
14.9 for the purpose of assisting individuals in obtaining employment;

14.10 (4) the public authority responsible for child support in Minnesota or any other state in
14.11 accordance with section 518A.83;

14.12 (5) human rights agencies within Minnesota that have enforcement powers;

14.13 (6) the Department of Revenue to the extent necessary for its duties under Minnesota
14.14 laws;

14.15 (7) public and private agencies responsible for administering publicly financed assistance
14.16 programs for the purpose of monitoring the eligibility of the program's recipients;

14.17 (8) the Department of Labor and Industry and the Commerce Fraud Bureau in the
14.18 Department of Commerce for uses consistent with the administration of their duties under
14.19 Minnesota law;

14.20 (9) the Department of Human Services and, the Office of the Inspector General, and its
14.21 ~~agents within the Department of Human Services, including~~ county fraud investigators, for
14.22 investigations related to recipient or provider fraud and employees of providers when the
14.23 provider is suspected of committing public assistance fraud;

14.24 (10) the Department of Human Services for the purpose of evaluating medical assistance
14.25 services and supporting program improvement;

14.26 (11) local and state welfare agencies for monitoring the eligibility of the data subject
14.27 for assistance programs, or for any employment or training program administered by those
14.28 agencies, whether alone, in combination with another welfare agency, or in conjunction
14.29 with the department or to monitor and evaluate the statewide Minnesota family investment
14.30 program and other cash assistance programs, the Supplemental Nutrition Assistance Program,
14.31 and the Supplemental Nutrition Assistance Program Employment and Training program by
14.32 providing data on recipients and former recipients of Supplemental Nutrition Assistance

15.1 Program (SNAP) benefits, cash assistance under chapter 256, 256D, 256J, or 256K, child
15.2 care assistance under chapter 142E, or medical programs under chapter 256B or 256L or
15.3 formerly codified under chapter 256D;

15.4 (12) local and state welfare agencies for the purpose of identifying employment, wages,
15.5 and other information to assist in the collection of an overpayment debt in an assistance
15.6 program;

15.7 (13) local, state, and federal law enforcement agencies for the purpose of ascertaining
15.8 the last known address and employment location of an individual who is the subject of a
15.9 criminal investigation;

15.10 (14) the United States Immigration and Customs Enforcement has access to data on
15.11 specific individuals and specific employers provided the specific individual or specific
15.12 employer is the subject of an investigation by that agency;

15.13 (15) the Department of Health for the purposes of epidemiologic investigations;

15.14 (16) the Department of Corrections for the purposes of case planning and internal research
15.15 for preprobation, probation, and postprobation employment tracking of offenders sentenced
15.16 to probation and preconfinement and postconfinement employment tracking of committed
15.17 offenders;

15.18 (17) the state auditor to the extent necessary to conduct audits of job opportunity building
15.19 zones as required under section 469.3201;

15.20 (18) the Office of Higher Education for purposes of supporting program improvement,
15.21 system evaluation, and research initiatives including the Statewide Longitudinal Education
15.22 Data System; and

15.23 (19) the Family and Medical Benefits Division of the Department of Employment and
15.24 Economic Development to be used as necessary to administer chapter 268B.

15.25 (b) Data on individuals and employers that are collected, maintained, or used by the
15.26 department in an investigation under section 268.182 are confidential as to data on individuals
15.27 and protected nonpublic data not on individuals as defined in section 13.02, subdivisions 3
15.28 and 13, and must not be disclosed except under statute or district court order or to a party
15.29 named in a criminal proceeding, administrative or judicial, for preparation of a defense.

15.30 (c) Data gathered by the department in the administration of the Minnesota unemployment
15.31 insurance program must not be made the subject or the basis for any suit in any civil
15.32 proceedings, administrative or judicial, unless the action is initiated by the department.

16.1 Sec. 11. Minnesota Statutes 2024, section 268B.30, is amended to read:

16.2 **268B.30 DATA PRIVACY.**

16.3 (a) Except as provided by this section, data collected, created, or maintained under this
16.4 chapter are private data on individuals or nonpublic data not on individuals as defined in
16.5 section 13.02, subdivisions 9 and 12, and must not be disclosed except according to a district
16.6 court order or section 13.05. A subpoena is not considered a district court order.

16.7 (b) Data classified under paragraph (a) may be disseminated to and used by the following
16.8 without the consent of the subject of the data:

16.9 (1) state and federal agencies specifically authorized access to the data by state or federal
16.10 law;

16.11 (2) the unemployment insurance division, to the extent necessary to administer the
16.12 programs established under this chapter and chapter 268;

16.13 (3) employers, to the extent necessary to support adjudication of application requests
16.14 and to support the employer's administration of a leave of absence;

16.15 (4) health care providers, to the extent necessary to support verification of health care
16.16 conditions and qualifying events;

16.17 (5) the public authority responsible for child support in Minnesota or any other state in
16.18 accordance with section 518A.83;

16.19 (6) human rights agencies within Minnesota that have enforcement powers;

16.20 (7) the Department of Revenue, to the extent necessary for its duties under Minnesota
16.21 laws;

16.22 (8) public and private agencies responsible for administering publicly financed assistance
16.23 programs for the purpose of monitoring the eligibility of the program's recipients;

16.24 (9) the Department of Labor and Industry and the Commerce Fraud Bureau in the
16.25 Department of Commerce for uses consistent with the administration of their duties under
16.26 Minnesota law;

16.27 (10) the Department of Human Services ~~and~~^{and} the Office of the Inspector General² and
16.28 ~~its agents within the Department of Human Services, including~~ county fraud investigators,
16.29 for investigations related to recipient or provider fraud and employees of providers when
16.30 the provider is suspected of committing public assistance fraud;

16.31 (11) the Department of Public Safety for support in identity verification;

17.1 (12) local, state, and federal law enforcement agencies for the purpose of ascertaining
 17.2 the last known address and employment location of an individual who is the subject of a
 17.3 criminal investigation;

17.4 (13) the Department of Health for the purposes of epidemiologic investigations;

17.5 (14) the Department of Corrections for the purposes of tracking incarceration of
 17.6 applicants; and

17.7 (15) contracted third parties, to the extent necessary to aid in identity verification,
 17.8 adjudication, administration, and evaluation of the program.

17.9 (c) Data on individuals and employers that are collected, maintained, or used by the
 17.10 department in an investigation under section 268B.19, 268B.21, 268B.22, or 268B.23 are
 17.11 confidential as to data on individuals and protected nonpublic data not on individuals as
 17.12 defined in section 13.02, subdivisions 3 and 13, and must not be disclosed except under
 17.13 statute or district court order or to a party named in a criminal proceeding, administrative
 17.14 or judicial, for preparation of a defense.

17.15 (d) Data gathered by the department in the administration of this chapter must not be
 17.16 made the subject or the basis for any suit in any civil proceedings, administrative or judicial,
 17.17 unless the action is initiated by the department.

17.18 Sec. 12. **EXISTING DUTIES ABOLISHED; TRANSFERS PROVIDED.**

17.19 Subdivision 1. **Duties abolished.** Duties pertaining to the investigation of fraud, misuse,
 17.20 and other unlawful use of public funds in the Offices of Inspector General in the Departments
 17.21 of Education; Human Services; and Children, Youth, and Families are abolished effective
 17.22 the day after the inspector general under Minnesota Statutes, section 3.991, certifies in
 17.23 writing to the commissioner of the respective department and the commissioner of
 17.24 management and budget that the inspector general has assumed responsibility for these
 17.25 duties.

17.26 Subd. 2. **Inspector general transfers.** Pursuant to Minnesota Statutes, section 15.039,
 17.27 all active investigations, obligations, court actions, contracts, records, personnel, and
 17.28 unexpended funds shall transfer from each department in subdivision 1 to the inspector
 17.29 general under Minnesota Statutes, section 3.991, except as provided by the inspector general.

17.30 Sec. 13. **REPEALER.**

17.31 Minnesota Statutes 2024, sections 13.321, subdivision 12; and 127A.21, are repealed.

18.1 Sec. 14. EFFECTIVE DATE.

18.2 (a) Sections 1 to 7 and 12 are effective July 1, 2025.

18.3 (b) Section 8 is effective the day after the inspector general notifies the revisor of statutes
18.4 that the Office of the Inspector General has assumed responsibility for identifying and
18.5 investigating fraud, misuse, or other unlawful use of public funds in the Department of
18.6 Children, Youth, and Families.

18.7 (c) Sections 9 to 11 are effective the day after the inspector general notifies the revisor
18.8 of statutes that the Office of the Inspector General has assumed responsibility for identifying
18.9 and investigating fraud, misuse, or other unlawful use of public funds in the Department of
18.10 Human Services.

18.11 (d) Section 13 is effective the day after the inspector general under Minnesota Statutes,
18.12 section 3.991, notifies the revisor of statutes that the Office of the Inspector General under
18.13 Minnesota Statutes, section 3.991, has assumed responsibility for identifying and
18.14 investigating fraud, misuse, or other unlawful use of public funds in the Department of
18.15 Education."

18.16 Delete the title and insert:

18.17 "A bill for an act
18.18 relating to state government; establishing an Office of Inspector General; providing
18.19 powers and duties; providing enhanced grant oversight; prohibiting retaliation;
18.20 transferring or repealing existing executive Offices of Inspector General; providing
18.21 detection and prevention of fraud; making conforming changes; requiring reports;
18.22 appropriating money; amending Minnesota Statutes 2024, sections 3.855,
18.23 subdivision 3; 3.97, subdivision 1, by adding subdivisions; 3.971, subdivisions 1,
18.24 9; 16B.97, subdivisions 2, 4; 16B.98, subdivisions 4, 8, 14; 16B.991, subdivision
18.25 1; 142B.53; 245A.24; 268.19, subdivision 1; 268B.30; 609.456, subdivision 2;
18.26 proposing coding for new law in Minnesota Statutes, chapters 3; 15; repealing
18.27 Minnesota Statutes 2024, sections 13.321, subdivision 12; 127A.21."

18.28 With the recommendation that when so amended the bill be re-referred to the Committee
18.29 on Education Finance.

18.30 This Committee action taken February 20, 2025

18.31, Chair