

**Jim Nash**  
**State Representative**  
District 48A



# Minnesota House of Representatives

**Subject: Office of Inspector General Documents**

Members of the State Government Finance and Policy Committee,

Please see the two included documents for your review ahead of the February 24 hearing on SF856.

The first is a statement released by Senator Gustafson last week following the committee hearing on SF856.

The second is a recap from the December 18<sup>th</sup> Office of Inspector General Coordinating Commission meeting, established by Governor Walz, with particular attention to page 6 under "Statewide OIG."

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nash".

Representative Jim Nash  
District 48A  
Co-Chair State Government and Finance



## Senator Heather Gustafson Reaffirms Commitment to Bipartisan OIG Bill

by Senator Heather Gustafson / February 19, 2026

**ST. PAUL, Minn.** — Following today’s State Government Finance and Policy committee hearing in the Minnesota House, **Senator Heather Gustafson** (DFL-Vadnais Heights) released the following statement about the status of her bill to create an independent Office of Inspector General:

**“Today’s vote in the House State Government Finance and Policy committee reflects ongoing differences about the structure of the Office of Inspector General. I respect the House’s process and the role of the committee. I was not involved in drafting the delete-everything amendment considered today, but I appreciate Representative Matt Norris, his strong desire to prevent fraud, and the continued effort to move oversight reform forward.**

**“While the House bill did not advance in committee today, this does not end the effort to pass a statewide OIG. It signals that members need to return to what worked – bring everyone together, agree on a clear committee path, and allow the full House to weigh in. All four caucuses have expressed a desire to prevent fraud and protect taxpayer dollars. I believe we can align around a structure that preserves independence and earns bipartisan support.**

**“As chief author of the OIG bill, I intentionally partnered with a Republican coauthor because oversight should never be partisan. The feedback we received was clear. Minnesotans want a strong, independent authority that protects their tax dollars and restores confidence in government. The Senate passed Senate File 856 with strong bipartisan support, because members from both parties had a seat at the table and helped shape the final product. My office will continue working with Democrats and Republicans in both chambers to get this bill to the House floor and passed before we adjourn this year.”**

**###**

## [Senator Heather Gustafson](#)



### Senate District 36

Senator Heather Gustafson represents Senate District 36 which includes Centerville, Circle Pines, Lino Lakes, North Oaks, Vadnais Heights, and White Bear Lake. She is vice chair of the Education Finance Committee, and serves on the Agriculture, Broadband, and Rural Development Committee and the Jobs and Economic Development Committee.

[Learn more about Sen. Gustafson.](#)



### PREVIOUS

[Statement from Senate Majority Leader Erin Murphy](#)

 

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# OIG Coordinating Council: December 18, 2025 Meeting Recap

## Meeting location

Bureau of Criminal Apprehension Office  
 1430 Maryland Avenue East  
 St. Paul, MN 55106

## Agenda activities and notes

Link to meeting PowerPoint: [OIG Coordinating Council 12.18.2025.pptx](#)

Agenda item	Notes
Welcome, introductions	<p>BCA Superintendent Drew Evans convened the meeting and welcomed the group.</p> <ul style="list-style-type: none"> <li>• Drew introduced Tim O’Malley as the State of Minnesota’s new Director of Program Integrity.</li> <li>• Tim shared that he is here to learn and emphasized the importance of partnering with agencies to find long-term solutions.</li> <li>• Reminder to meet with Josiah from WayPoint by January 9.</li> <li>• The BCA issued a letter to state agencies outlining two reporting requirements. Each agency must complete the spreadsheet and submit by January 15. The BCA will compile the submissions into a summary report by February 1.</li> </ul>
Presentation: SWIFT and Agency Sub-Systems – Paul Moore, MMB Assistant Commissioner; Adrienne Schmidt, MMB Finance Services Director	<ul style="list-style-type: none"> <li>• Relevant content beyond slides is below (pages 3-5)</li> </ul>
WayPoint Update – Josiah Lamb, Consultant	<ul style="list-style-type: none"> <li>• 75% of OIG CC members have met with Josiah and 25% still need to meet with him by January 9.</li> <li>• Council members should continue to share with him policies and procedures</li> </ul>

Agenda item	Notes
2026 Legislative Session Discussion	<p>Topics covered: Direct appropriations, payment withholdings, Statewide OIG, and ongoing funding for grants management</p> <ul style="list-style-type: none"> <li>• Relevant content beyond slides is below (pages 5-7)</li> </ul>
Closing Comments, Next Meeting	<ul style="list-style-type: none"> <li>• Discussions on the remaining non-legislative recommendations will be deferred to the January meeting.</li> </ul>
Open Action Items, Considerations	<ul style="list-style-type: none"> <li>• All Council members should meet with Josiah by January 9.</li> <li>• The BCA issued a letter to state agencies outlining two reporting requirements. Each agency must complete the spreadsheet and submit by January 15.</li> <li>• Britta will connect with MNIT and find out more about how the various systems are able to leverage AI to help with identifying patterns.</li> <li>• The MMB Interagency Working Group will facilitate conversations around the SWIFT and agency subsystem topic covered today. Any recommendations or opportunities for improvement will be shared with the OIG Coordinating Council at a later date.</li> <li>• Preserve for future conversation if not part of subsystem work: potential statute change to allow public sharing of bad-actor list.</li> <li>• OIG CC voted in favor of making a recommendation to eliminate direct appropriations. BCA will work with council members to work on drafting language offline with the Governor's Office.</li> <li>• Rules are not consistent, even in appropriations. Consider tackling this topic at a different time.</li> <li>• OIG CC voted in favor of amending Section 15.013 (payment withholdings). MMB will connect with ADMIN, Governor's Office and BCA</li> <li>• Ongoing funding for grants management. It is important that the 5-10% provision not be repealed and we educate the legislature to include this language in grants.</li> </ul>

# SWIFT and Agency Sub-Systems Presentation

## Presentation Content beyond Slides

- The term “Supplier” is an all-encompassing term in SWIFT for any entity that receives funds from the State of Minnesota. This includes vendors, contractors, individual payees, and other entities.
- At this point in time, SWIFT remains the best source of truth we have for all state payment data. But there are a lot of gaps within this data stored in SWIFT.
  - If we were to reshape SWIFT, we would need to do significant customizations and this would impact agency subsystems significantly.
- SWIFT serves as the state’s Financial Management System (FMS) for both accounting and procurement.
- The system utilizes over 15 different modules to manage state business.
  - Grants Management is being utilized by the state from a grantee position, not a grantor. We utilize the Accounts Payable module to issue grant payments.
  - Treasury: Handles "warrants" aka physical checks.
- MMB has various controls in place.
  - When a supplier is created in SWIFT, the federal tax ID number or social security number is stored in the system. TIN checks always performed.
- There are 72 subsystems that feed data into SWIFT.
- SWIFT data isn’t always in agency subsystems, and vice versa.
  - Data is moved via interface files; a primary example is MMIS (Medicaid Management Information System), which handles Medicaid claims.
- There are about 100 state agencies, each responsible for managing their own specific programs.
  - Individual agencies own the responsibility for their specific tax reporting requirements. There’s uncertainty around whether agencies are doing the same TIN checks that MMB performs.
  - MMB functions primarily as a receiver of information rather than a direct manager of program-specific data.
  - A main reason for subsystems is that SWIFT can’t accommodate all the complexities of each state program, like Medicaid.
  - Some legacy systems predate SWIFT and would require considerable cost and resources to transition them to SWIFT.
- The “All Other” category for voucher payment sources, is comprised of about 67 of the 72 subsystems.
  - If we switched these voucher payments from subsystems to SWIFT, MMB would have more oversight.
- 25% of state payments derive from suppliers managed in the SWIFT system whereas the remaining 75% derive from interface files from agency subsystems.
  - MMB has various controls in place for the 25% but doesn’t have visibility to what agencies have in place for the 75%.
  - ACH payments cannot be issued from subsystems
- MMB can only put SWIFT suppliers on hold, not agency subsystem entities.
  - Many agency subsystems have a unique ID for entities, which helps; but 11% of the payments being pushed into SWIFT don’t have supplier IDs.
  - There is also not a consistent naming convention between SWIFT and the various subsystems.

## Discussion and Group Feedback

- What criteria is being used with respect to centralized holds?
  - Administrative actions are taken with vendor payment schemes. Bad actors will try to take a vendor's profile and change the banking information. Other times, holds are placed on a supplier account when legal authorities, such as ADMIN, share information with MMB.
- How much data in SWIFT is public?
  - TransparencyMN serves as the public interface for SWIFT data, allowing citizens to review agency spending and payment recipients. However, private data—such as welfare or individual assistance payments—is not public data; agencies use specific account codes to filter sensitive information, ensuring it does not populate on the public site.
  - What we need to publish publicly is in Statute.
  - The level of information shared publicly can also be problematic as it gives bad actors a road map.
  - MMB reviews these specific account codes to ensure data that should be public is not being assigned incorrectly.
- Could we require agencies have supplier IDs? Maybe make this a legislative recommendation?
  - This could be of value.
  - We cannot easily remove subsystems but we should consider having data, fields, and systems interact better. This would still be a significant project to undertake.
  - When DHS wants to suspend a supplier, it only suspends payments in the MMIS system. We don't currently have a way to suspend payments from this supplier government-wide in other systems. This is a vulnerability and we are still working on a way to resolve this.
  - When a hold is placed on a supplier in SWIFT, it will not impact GenTax payments either; which means major refunds can still go out. GenTax is one of the major subsystems that feed into SWIFT.
  - Vendors may not ever be registered in SWIFT and only be within the agency subsystem.
    - SWIFT will receive a name and address for the payment to be process.
    - MMB receives complaints from vendors and agencies on having to add them in the State Supplier Portal.
  - We need to ensure all agencies comply with the same process to achieve our goals.
- Would any of these changes prevent fraud? Are the subsystems facilitating fraud or is the issue with the process?
  - Consider coming up with stricter requirements before an entity or person can become a supplier or payee.
  - The ideal would be to have every payee be registered in SWIFT and paid through SWIFT. And if you are an entity, we would collect information on key individuals within the entity too.
  - We don't currently have information in SWIFT on individuals associated with the entity.
    - MN ID helps with access into the system but not getting information on individuals within the entity itself.
    - MDE has exclusion and debarment lists for entities, but not the individuals. There is a risk that individuals will make new entities and come back.
    - Is there a statute we can leverage to help with vetting individuals and making a list public?

- It was recommended that certain roles and positions within an entity, such as owners, directors, officers, and executives, would have to be entered into our systems.
  - Noted that if there is a need for statute change, this group could recommend.
- Are any of these systems able to leverage AI to help with identifying patterns?
  - Britta will connect with MNIT and find out more.
- The MMB Interagency Working Group should facilitate a discussion around SWIFT and agency subsystems.
  - This information should be shared with the MMB Interagency Working Group in order to determine how we can improve things and get closer to reaching these goals.
    - Identify which fields should interconnect across the various systems; what data should be collected and shared; and find a way to search that data within the various systems.
  - MMB has identified potential changes but is seeking support from the OIG Coordinating Council to help with agency buy-in and ensure the impacts on agencies are fully understood before implementation.
    - The CFO working group would likely be in favor of policies from MMB on addressing the issues brought forth under this topic.
    - There are concerns on the cost of any changes made.
    - Also consider materiality; let's make changes that impact larger dollar amounts versus small dollar amounts.
  - There is existing statutory authority to collect owner, officer, director, and executive information from a grantee. This may help with the MMB Interagency Working Group efforts.
- Actions we take here will improve actions to *stop payment*, but we still need to consider how to stop/prevent fraud on the front end.

## 2026 Legislative Session Discussion

### Direct Appropriations

- Direct Appropriations are managed under 16B and 16B.981 sub (4)e.
- 2007 OLA report recommended eliminating direct grant funding to specific organizations; legislature should ensure a competitive process.
  - OLA report has specific recommendations that could be referenced.
- Strategic question remains: how should this be approached? Options:
  - Support the OLA position.
  - Make incremental improvements with fewer challenges—starting with how grants are defined and drafted and establish vetting practices or checklists.
  - State agencies currently require grantees to register with SOS and AGO; legislature should review this upfront before granting direct appropriations.
  - Clarify grantees vs. other funding types—define what kind of money is being distributed.
- Two camps of thought:
  - “Nuclear option” → eliminate direct appropriations.
  - Continue working with the legislature to improve the process.

- Also consider meeting with the legislature’s appropriations and fiscal staff to address last-minute, end-of-session timing issues with the budget team. Consider formally requesting that standards be developed for appropriation language.
- Rules are not consistent, even in appropriations. The Council will tackle this topic at a different time.
- Recommendation: Nuclear option.
  - The legislature would better understand their role in the problem and the inefficiencies it creates if we take this stance.
  - We can start with the nuclear option and have the backup being to work with the legislature to improve the process, and train legislative directors.
- Chair proposed council adoption of the recommendation. No members opposed, and the recommendation is adopted.
  - BCA will connect with council members to work on drafting language offline with the Governor’s Office.

## Payment Withholdings

- Section 15.013 formally codified the authority to withhold payments in cases of suspected fraud. However, rather than expanding agency discretion, it actually limited agencies’ ability to rely on their own existing authorities
- Hearings can take up to five months, making the statutory 60-day timeframe insufficient for resolving complex cases.
- The withholding is intended only as a temporary measure to stop payments while an investigation is underway
- MMB recommends amending the language; slides reflect key changes
- DHS and DCYF language mirrors proposed language
- Chair proposed council adoption of the recommendation to amend Section 15.013. No members opposed, and the recommendation is adopted.
- MMB will share the draft language with Governor’s Office and BCA

## Statewide OIG

- Senator Gustafson introduced legislation to establish an independent OIG which the senate recently passed.
- No actions to be taken at this time from the greater council group. A small working group is discussing this topic and addressing the core components displayed on the slide.
- We want to find a workable solution that we can recommend vs. the Gustafson bill.
- OLA shared that agencies are implementing their recommendations, but the recommendations should also be implemented across the enterprise.
- MHFA has a lot of tips and reports coming in, most not pertaining to fraud.
  - Josiah can help navigate this
  - Have the right roles involved to vet them and manage filtering them
  - The Statewide OIG could also potentially support agencies too.

## Ongoing Funding for Grants Management

- Current statute language includes a 5–10% rule that permits agencies to allocate a portion of funding toward activities such as grant management.
- Some grants have this language, but some grants don't allow the 5-10%.
- Senator Marty is trying to remove this language. It is important that this provision not be repealed.
- ADMIN recommends educating the legislature to include this language.