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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 1

02/06/2025 Authored by Anderson, P. E.; Niska; Demuth; Nash; Gillman and others
The bill was read for the first time and referred to the Committee on State Government Finance and Policy
02/19/2025 Adoption of Report: Amended and re-referred to the Committee on Human Services Finance and Policy

1.1 A bill for an act
1.2 relating to state government; establishing an Office of the Inspector General;
1.3 providing powers; specifying duties; requiring fraud reporting tools; transferring
1.4 grant oversight duties and powers; modifying or repealing existing executive
1.5 Offices of Inspector General; appropriating money; amending Minnesota Statutes
1.6 2024, sections 3.855, subdivision 3; 3.97, subdivision 1, by adding subdivisions;
1.7 3.971, subdivisions 1, 9; 142B.53; 245A.24; 268.19, subdivision 1; 268B.30;
1.8 609.456, subdivision 2, by adding a subdivision; proposing coding for new law in
1.9 Minnesota Statutes, chapters 3; 15; repealing Minnesota Statutes 2024, sections
1.10 13.321, subdivision 12; 127A.21.

1.11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.12 ARTICLE 1
1.13 OFFICE OF THE INSPECTOR GENERAL

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

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

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

1.21 Subd. 3d. Complementary. The commission must ensure that the work of the inspector
1.22 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. 3e. **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 3.997, the following terms
2.23 have the meanings given.

2.24 Subd. 2. **Abuse.** "Abuse" means actions that may, directly or indirectly, result in
2.25 unnecessary cost to a program. Abuse may involve paying for items or services when there
2.26 is no legal entitlement to that payment.

2.27 Subd. 3. **Agency.** "Agency" means any entity subject to audit under section 3.971,
2.28 subdivision 6, or section 3.972, subdivision 2.

2.29 Subd. 4. **Fraud.** "Fraud" means an intentional or deliberate act to deprive another of
2.30 property or money or to acquire property or money by deception or other unfair means.
2.31 Fraud includes intentionally submitting false information to the state, a political subdivision,

3.1 or a private entity under contract with the state or a political subdivision for the purpose of
3.2 obtaining a greater compensation or benefit than that to which the person is legally entitled.
3.3 Fraud also includes failure to correct errors in the maintenance of records in a timely manner
3.4 after a request by the state.

3.5 Subd. 5. **Inspector general.** "Inspector general" means the person appointed under
3.6 section 3.991 or their designee.

3.7 Subd. 6. **Investigation.** "Investigation" means a proceeding or inquiry by the office
3.8 concerning a provider or recipient of state-funded services.

3.9 Subd. 7. **Office.** "Office" means the Office of the Inspector General.

3.10 Subd. 8. **Program.** "Program" or "state program" means any program fully or partially
3.11 administered or funded by the state.

3.12 Subd. 9. **Recipient of state funds.** "Recipient of state funds" means any entity or person,
3.13 including associated persons, that receives, disburses, or has custody of funds or other
3.14 resources transferred or disbursed under a program. Recipient of state funds includes but
3.15 is not limited to a private person or entity currently or formerly under contract with the state
3.16 to provide benefits, goods, or services to eligible recipients.

3.17 Subd. 10. **Waste.** "Waste" means practices that directly or indirectly result in unnecessary
3.18 program cost, including but not limited to the misuse of resources.

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

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

3.24 Subd. 2. **Purpose.** The inspector general must investigate and combat fraud, waste, and
3.25 abuse in state government with a focus on the providers and recipients of state-funded
3.26 services.

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

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

4.8 Subd. 5. **Conflicts of interest; code of ethics.** The inspector general, deputy inspector
4.9 general, assistant inspectors general, and all other employees of the office are public officials
4.10 for purposes of the conflict of interest and statement of economic disclosure requirements
4.11 in chapter 10A and are subject to the code of ethics in section 43A.38 where applicable.

4.12 Subd. 6. **Staff; compensation.** (a) The inspector general must appoint a deputy inspector
4.13 general, with the approval of the commission, for a term coterminous with the inspector
4.14 general's term. The deputy inspector general may be removed by the commission or the
4.15 inspector general before the expiration of the deputy's term only for cause. The inspector
4.16 general and deputy inspector general may each appoint an administrative support specialist
4.17 to serve at pleasure. The deputy inspector general may perform and exercise the powers,
4.18 duties, and responsibilities imposed by law on the inspector general when authorized by
4.19 the inspector general.

4.20 (b) The inspector general must hire assistant inspectors general and other staff as required,
4.21 in the inspector general's estimation, to administer sections 3.99 to 3.997 and other relevant
4.22 law.

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

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

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

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

4.31 The inspector general must:

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

5.1 (2) oversee state grantmaking under sections 3.998 to 3.9992;

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

5.5 (4) develop and maintain a website and telephone hotline for state agency staff and the
5.6 public to report suspected fraud, waste, or abuse in state programs, and to do so anonymously
5.7 if they so choose;

5.8 (5) establish policies and procedures for evaluating and consistently responding to each
5.9 tip received under clause (4);

5.10 (6) notify and coordinate with the legislative auditor when the inspector general receives
5.11 a credible report of suspected fraud, waste, or abuse that is within the legislative auditor's
5.12 authority;

5.13 (7) establish and maintain policies and procedures for conducting investigations;

5.14 (8) report suspected fraud or other misuse of public funds to the appropriate law
5.15 enforcement entity and cooperate with law enforcement to assist any investigation and
5.16 subsequent civil or criminal prosecution; and

5.17 (9) exercise all other powers reasonably necessary to implement and administer sections
5.18 3.99 to 3.997 and other applicable law.

5.19 Policies and procedures developed by the inspector general under clauses (5) and (7) are
5.20 not subject to chapter 14, including section 14.386. The inspector general must submit
5.21 policies to the Legislative Audit Commission for review at least 30 days prior to adoption
5.22 or substantial revision. Procedures developed by the inspector general under clauses (5) and
5.23 (7) are nonpublic data.

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

5.25 Notwithstanding any law to the contrary, the inspector general may exercise the following
5.26 powers as necessary to conduct investigations and achieve the purpose of sections 3.99 to
5.27 3.997:

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

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

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

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

6.10 (5) in consultation with law enforcement, impose or require state agencies to impose
6.11 appropriate temporary sanctions, including the withholding of payment to a recipient of
6.12 state funds, if:

6.13 (i) the inspector general determines there is credible indicia of fraud, waste, or abuse by
6.14 the recipient;

6.15 (ii) there was a criminal, civil, or administrative adjudication of fraud, waste, or abuse
6.16 against the recipient in Minnesota or in another state or jurisdiction;

6.17 (iii) the recipient was receiving funds under any contract or registered in any program
6.18 administered by another Minnesota state agency, a government agency in another state, or
6.19 a federal agency, and was under investigation or excluded from that contract or program
6.20 for reasons credibly indicating fraud, waste, or abuse by the recipient; or

6.21 (iv) the recipient demonstrates a pattern of noncompliance with an investigation;

6.22 (6) require state employees to fully cooperate with an investigation of suspected fraud,
6.23 waste, or abuse;

6.24 (7) recommend actions to be taken by an agency to prevent fraud, waste, and abuse;

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

6.27 (9) monitor the implementation of requirements and recommendations issued by the
6.28 office.

6.29 **Sec. 10. [3.994] DATA PRACTICES.**

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

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

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

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

7.15 **Sec. 11. [3.995] RETALIATION PROHIBITED.**

7.16 An employee or other individual who discloses information to an agency or the inspector
7.17 general about fraud, waste, or abuse in state programs is protected under section 181.932,
7.18 governing disclosure of information by employees.

7.19 **Sec. 12. [3.996] INTERFERENCE PROHIBITED.**

7.20 No state employee may interfere with or obstruct an investigation conducted pursuant
7.21 to sections 3.99 to 3.997.

7.22 **Sec. 13. [3.997] REPORTING REQUIRED.**

7.23 When the inspector general documents the existence of fraud, waste, or abuse in an
7.24 agency or program administered by an agency, the inspector general must quantify the
7.25 amount of documented fraud, waste, or abuse and report this amount to the Legislative
7.26 Audit Commission and the chairs and ranking minority members of the legislative committees
7.27 with jurisdiction over the agency's operating budget.

7.28 **Sec. 14. [15.442] DETECTION AND PREVENTION OF FRAUD AND OTHER**
7.29 **MISUSES OF PUBLIC FUNDS.**

7.30 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
7.31 the meanings given.

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

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

8.3 (1) chief executive officer;

8.4 (2) deputy and assistant chief executive officers;

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

8.6 (4) heads of divisions, bureaus, departments, institutes, or other such organizational

8.7 units; and

8.8 (5) where applicable, board chair.

8.9 Subd. 2. **Suspected fraud or other misuse.** Notwithstanding any law to the contrary,
8.10 if an obligated officer finds or receives credible indicia of fraud or other misuse of public
8.11 funds in a grant program or other program administered by the agency, the agency must:

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

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

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

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

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

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

8.29 Sec. 15. Minnesota Statutes 2024, section 609.456, subdivision 2, is amended to read:

8.30 Subd. 2. **Legislative auditor.** Whenever an employee or officer of the state, University
8.31 of Minnesota, or other organization listed in section 3.971, subdivision 6, discovers evidence

9.1 of theft, embezzlement, or unlawful use of public funds or property, the employee or officer
 9.2 shall, ~~except when to do so would knowingly impede or otherwise interfere with an ongoing~~
 9.3 ~~criminal investigation~~, promptly report in writing to the legislative auditor a detailed
 9.4 description of the alleged incident or incidents.

9.5 Sec. 16. Minnesota Statutes 2024, section 609.456, is amended by adding a subdivision
 9.6 to read:

9.7 Subd. 3. **Inspector general.** Whenever an employee or officer of the state, University
 9.8 of Minnesota, or other organization listed in section 3.971, subdivision 6, discovers evidence
 9.9 of fraud, waste, or abuse of public funds or property, the employee or officer shall promptly
 9.10 report in writing to the inspector general a detailed description of the alleged incident or
 9.11 incidents.

9.12 Sec. 17. **APPROPRIATION.**

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

9.15 Sec. 18. **APPROPRIATION.**

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

9.19 Sec. 19. **EFFECTIVE DATE.**

9.20 This article is effective July 1, 2025.

9.21 **ARTICLE 2**

9.22 **CONFORMING ITEMS AND REPEALERS**

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

9.24 Subd. 3. **Other salary and compensation ~~plan~~ plans.** The commission shall review
 9.25 and approve or reject the plan for compensation, terms, and conditions of employment of
 9.26 classified employees in the office of the legislative auditor under section 3.971, subdivision
 9.27 2, and a plan for compensation, terms, and conditions of employment for employees of the
 9.28 Office of the Inspector General under section 3.991, subdivision 6.

10.1 Sec. 2. Minnesota Statutes 2024, section 142B.53, is amended to read:

10.2 **142B.53 MANDATORY REPORTING.**

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

10.7 Sec. 3. Minnesota Statutes 2024, section 245A.24, is amended to read:

10.8 **245A.24 MANDATORY REPORTING.**

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

10.13 Sec. 4. Minnesota Statutes 2024, section 268.19, subdivision 1, is amended to read:

10.14 Subdivision 1. **Use of data.** (a) Except as provided by this section, data gathered from
10.15 any person under the administration of the Minnesota Unemployment Insurance Law are
10.16 private data on individuals or nonpublic data not on individuals as defined in section 13.02,
10.17 subdivisions 9 and 12, and may not be disclosed except according to a district court order
10.18 or section 13.05. A subpoena is not considered a district court order. These data may be
10.19 disseminated to and used by the following agencies without the consent of the subject of
10.20 the data:

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

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

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

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

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

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

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

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

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

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

11.12 (11) local and state welfare agencies for monitoring the eligibility of the data subject
11.13 for assistance programs, or for any employment or training program administered by those
11.14 agencies, whether alone, in combination with another welfare agency, or in conjunction
11.15 with the department or to monitor and evaluate the statewide Minnesota family investment
11.16 program and other cash assistance programs, the Supplemental Nutrition Assistance Program,
11.17 and the Supplemental Nutrition Assistance Program Employment and Training program by
11.18 providing data on recipients and former recipients of Supplemental Nutrition Assistance
11.19 Program (SNAP) benefits, cash assistance under chapter 256, 256D, 256J, or 256K, child
11.20 care assistance under chapter 142E, or medical programs under chapter 256B or 256L or
11.21 formerly codified under chapter 256D;

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

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

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

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

11.32 (16) the Department of Corrections for the purposes of case planning and internal research
11.33 for preprobation, probation, and postprobation employment tracking of offenders sentenced

12.1 to probation and preconfinement and postconfinement employment tracking of committed
12.2 offenders;

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

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

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

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

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

12.18 Sec. 5. Minnesota Statutes 2024, section 268B.30, is amended to read:

12.19 **268B.30 DATA PRIVACY.**

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

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

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

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

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

- 13.1 (4) health care providers, to the extent necessary to support verification of health care
13.2 conditions and qualifying events;
- 13.3 (5) the public authority responsible for child support in Minnesota or any other state in
13.4 accordance with section 518A.83;
- 13.5 (6) human rights agencies within Minnesota that have enforcement powers;
- 13.6 (7) the Department of Revenue, to the extent necessary for its duties under Minnesota
13.7 laws;
- 13.8 (8) public and private agencies responsible for administering publicly financed assistance
13.9 programs for the purpose of monitoring the eligibility of the program's recipients;
- 13.10 (9) the Department of Labor and Industry and the Commerce Fraud Bureau in the
13.11 Department of Commerce for uses consistent with the administration of their duties under
13.12 Minnesota law;
- 13.13 (10) the Department of Human Services ~~and~~, the Office of the Inspector General, ~~and~~
13.14 ~~its agents within the Department of Human Services, including~~ county fraud investigators,
13.15 for investigations related to recipient or provider fraud and employees of providers when
13.16 the provider is suspected of committing public assistance fraud;
- 13.17 (11) the Department of Public Safety for support in identity verification;
- 13.18 (12) local, state, and federal law enforcement agencies for the purpose of ascertaining
13.19 the last known address and employment location of an individual who is the subject of a
13.20 criminal investigation;
- 13.21 (13) the Department of Health for the purposes of epidemiologic investigations;
- 13.22 (14) the Department of Corrections for the purposes of tracking incarceration of
13.23 applicants; and
- 13.24 (15) contracted third parties, to the extent necessary to aid in identity verification,
13.25 adjudication, administration, and evaluation of the program.
- 13.26 (c) Data on individuals and employers that are collected, maintained, or used by the
13.27 department in an investigation under section 268B.19, 268B.21, 268B.22, or 268B.23 are
13.28 confidential as to data on individuals and protected nonpublic data not on individuals as
13.29 defined in section 13.02, subdivisions 3 and 13, and must not be disclosed except under
13.30 statute or district court order or to a party named in a criminal proceeding, administrative
13.31 or judicial, for preparation of a defense.

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

14.4 Sec. 6. **EXISTING DUTIES ABOLISHED; TRANSFERS PROVIDED.**

14.5 Subdivision 1. **Duties abolished.** Duties pertaining to the investigation of fraud, waste,
14.6 and abuse in the Offices of Inspector General in the Departments of Education; Human
14.7 Services; and Children, Youth, and Families are abolished effective the day after the inspector
14.8 general under Minnesota Statutes, section 3.991, certifies in writing to the commissioner
14.9 of the respective department and the commissioner of management and budget that the
14.10 inspector general has assumed responsibility for these duties.

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

14.15 Sec. 7. **REPEALER.**

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

14.17 Sec. 8. **EFFECTIVE DATE.**

14.18 (a) Sections 1 and 6 are effective July 1, 2025.

14.19 (b) Section 2 is effective the day after the inspector general notifies the revisor of statutes
14.20 that the Office of the Inspector General has assumed responsibility for identifying and
14.21 investigating fraud, waste, and abuse in the Department of Children, Youth, and Families.

14.22 (c) Sections 3 to 5 are effective the day after the inspector general notifies the revisor
14.23 of statutes that the Office of the Inspector General has assumed responsibility for identifying
14.24 and investigating fraud, waste, and abuse in the Department of Human Services.

14.25 (d) Section 7 is effective the day after the inspector general under Minnesota Statutes,
14.26 section 3.991, notifies the revisor of statutes that the Office of the Inspector General under
14.27 Minnesota Statutes, section 3.991, has assumed responsibility for identifying and
14.28 investigating fraud, waste, and abuse in the Department of Education.

APPENDIX
Article locations for H0001-1

ARTICLE 1 OFFICE OF THE INSPECTOR GENERAL..... Page.Ln 1.12
ARTICLE 2 CONFORMING ITEMS AND REPEALERS..... Page.Ln 9.21

13.321 PREKINDERGARTEN TO GRADE 12 EDUCATIONAL DATA CODED ELSEWHERE.

Subd. 12. **Office of the Inspector General; access to data.** Data involving the Department of Education's Office of the Inspector General are governed by section 127A.21.

127A.21 OFFICE OF THE INSPECTOR GENERAL.

Subdivision 1. **Establishment of Office of the Inspector General; powers; duties.** The commissioner must establish within the department an Office of the Inspector General. The inspector general shall report directly to the commissioner. The Office of the Inspector General is charged with protecting the integrity of the department and the state by detecting and preventing fraud, waste, and abuse in department programs. The Office of the Inspector General must conduct independent and objective investigations to promote the integrity of the department's programs and operations. When fraud or other misuse of public funds is detected, the Office of the Inspector General must report it to the appropriate law enforcement entity and collaborate and cooperate with law enforcement to assist in the investigation and any subsequent civil and criminal prosecution.

Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Abuse" means actions that may, directly or indirectly, result in unnecessary costs to department programs. Abuse may involve paying for items or services when there is no legal entitlement to that payment.

(c) "Department program" means a program funded by the Department of Education that involves the transfer or disbursement of public funds or other resources to a program participant. "Department program" includes state and federal aids or grants received by a school district or charter school or other program participant.

(d) "Fraud" means an intentional or deliberate act to deprive another of property or money or to acquire property or money by deception or other unfair means. Fraud includes intentionally submitting false information to the department for the purpose of obtaining a greater compensation or benefit than that to which the person is legally entitled. Fraud also includes failure to correct errors in the maintenance of records in a timely manner after a request by the department.

(e) "Investigation" means an audit, investigation, proceeding, or inquiry by the Office of the Inspector General related to a program participant in a department program.

(f) "Program participant" means any entity or person, including associated persons, that receives, disburses, or has custody of funds or other resources transferred or disbursed under a department program.

(g) "Waste" means practices that, directly or indirectly, result in unnecessary costs to department programs, such as misusing resources.

(h) For purposes of this section, neither "fraud," "waste," nor "abuse" includes decisions on instruction, curriculum, personnel, or other discretionary policy decisions made by a school district, charter school, cooperative unit as defined by section 123A.24, subdivision 2, or any library, library system, or library district defined in section 134.001.

Subd. 2. **Hiring; reporting; procedures.** (a) The commissioner, or the commissioner's designee, must hire an inspector general to lead the Office of the Inspector General. The inspector general must hire a deputy inspector general and, at the discretion of the inspector general, sufficient assistant inspectors general to carry out the duties of the office. The inspector general, deputy inspector general, and any assistant inspectors general serve in the classified service.

(b) In a form and manner determined by the inspector general, the Office of the Inspector General must develop a public platform for the public to report instances of potential fraud, waste, or abuse of public funds administered by the department. Nothing in this paragraph shall be construed to give a member of the public standing to sue based on allegations of fraud, waste, or abuse.

(c) The inspector general shall establish procedures for conducting investigations. Procedures adopted under this subdivision are not subject to chapter 14, including section 14.386.

Subd. 3. **Subpoenas.** (a) For the purpose of an investigation, the inspector general or a designee may administer oaths and affirmations, subpoena witnesses, compel attendance, take evidence, and issue subpoenas duces tecum to require the production of books, papers, correspondence, memoranda, agreements, financial records, or other documents or records relevant to the investigation.

APPENDIX
Repealed Minnesota Statutes: H0001-1

(b) A subpoena issued pursuant to this subdivision must state that the subpoena recipient may not disclose the fact that the subpoena was issued or the fact that the requested records have been given to the inspector general, or their staff, except:

- (1) in so far as the disclosure is necessary to find and disclose the records;
- (2) pursuant to court order; or
- (3) to legal counsel for the purposes of responding to the subpoena.

(c) The fees for service of a subpoena must be paid in the same manner as prescribed by law for a service of process issued by a district court.

(d) The subpoena issued under this subdivision shall be enforceable through the district court in the district where the subpoena is issued.

Subd. 4. Access to records. (a) For purposes of an investigation, and regardless of the data's classification under chapter 13, the Office of the Inspector General shall have access to all relevant books, accounts, documents, data, and property related to department programs that are maintained by a program participant, charter school, or government entity as defined by section 13.02.

(b) Notwithstanding paragraph (a), the Office of the Inspector General must issue a subpoena under subdivision 3 in order to access routing and account numbers to which Department of Education funds have been disbursed.

(c) Records requested by the Office of the Inspector General under this subdivision shall be provided in a format, place, and time frame reasonably requested by the Office of the Inspector General.

(d) The department may enter into specific agreements with other state agencies related to records requests by the Office of the Inspector General.

Subd. 5. Sanctions; appeal. (a) This subdivision does not authorize any sanction that reduces, pauses, or otherwise interrupts state or federal aid to a school district, charter school, cooperative unit as defined by section 123A.24, subdivision 2, or any library, library system, or library district defined in section 134.001.

(b) The inspector general may recommend that the commissioner impose appropriate temporary sanctions, including withholding of payments under the department program, on a program participant pending an investigation by the Office of the Inspector General if:

(1) during the course of an investigation, the Office of the Inspector General finds credible indicia of fraud, waste, or abuse by the program participant;

(2) there has been a criminal, civil, or administrative adjudication of fraud, waste, or abuse against the program participant in Minnesota or in another state or jurisdiction;

(3) the program participant was receiving funds under any contract or registered in any program administered by another Minnesota state agency, a government agency in another state, or a federal agency, and was excluded from that contract or program for reasons credibly indicating fraud, waste, or abuse by the program participant; or

(4) the program participant has a pattern of noncompliance with an investigation.

(c) If an investigation finds, by a preponderance of the evidence, fraud, waste, or abuse by a program participant, the inspector general may, after reviewing all facts and evidence and when acting judiciously on a case-by-case basis, recommend that the commissioner impose appropriate sanctions on the program participant.

(d) Unless prohibited by law, the commissioner has the authority to implement recommendations by the inspector general, including imposing appropriate sanctions, temporarily or otherwise, on a program participant. Sanctions may include ending program participation, stopping disbursement of funds or resources, monetary recovery, and termination of department contracts with the participant for any current or future department program or contract. A sanction may be imposed for up to the longest period permitted by state or federal law. Sanctions authorized under this subdivision are in addition to other remedies and penalties available under law.

(e) If the commissioner imposes sanctions on a program participant under this subdivision, the commissioner must notify the participant in writing within seven business days of imposing the sanction, unless requested in writing by a law enforcement agency to temporarily delay issuing the

APPENDIX
Repealed Minnesota Statutes: H0001-1

notice to prevent disruption of an ongoing law enforcement agency investigation. A notice of sanction must state:

- (1) the sanction being imposed;
- (2) the general allegations that form the basis for the sanction;
- (3) the duration of the sanction;
- (4) the department programs to which the sanction applies; and
- (5) how the program participant may appeal the sanction pursuant to paragraph (e).

(f) A program participant sanctioned under this subdivision may, within 30 days after the date the notice of sanction was mailed to the participant, appeal the determination by requesting in writing that the commissioner initiate a contested case proceeding under chapter 14. The scope of any contested case hearing is limited to the sanction imposed under this subdivision. An appeal request must specify with particularity each disputed item, the reason for the dispute, and must include the name and contact information of the person or entity that may be contacted regarding the appeal.

(g) The commissioner shall lift sanctions imposed under this subdivision if the Office of the Inspector General determines there is insufficient evidence of fraud, waste, or abuse by the program participant. The commissioner must notify the participant in writing within seven business days of lifting the sanction.

Subd. 6. Data practices. (a) It is not a violation of rights conferred by chapter 13 or any other statute related to the confidentiality of government data for a government entity as defined in section 13.02 to provide data or information under this section.

(b) The inspector general is subject to the Government Data Practices Act, chapter 13, and shall protect from unlawful disclosure data classified as not public. Data collected, created, received, or maintained by the inspector general relating to an audit, investigation, proceeding, or inquiry are subject to section 13.39.

Subd. 7. Retaliation, interference prohibited. (a) An employee or other individual who discloses information to the Office of the Inspector General about fraud, waste, or abuse in department programs is protected under section 181.932, governing disclosure of information by employees.

(b) No state employee may interfere with or obstruct an investigation authorized by this section.