

Subject Inspector General

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Overview

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

The OIG would investigate and combat fraud, waste, and abuse in state government and oversee state grantmaking policies. The bill would abolish existing executive branch duties in these areas and transfer them to the new OIG. Among other things, the OIG would embed staff within seven state agencies, develop and maintain a fraud reporting website and hotline, conduct investigations, and report suspected fraud to law enforcement.

Article 1: Office of the Inspector General

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

Section	Description – Article 1: Office of the Inspector General
1	Policy. Modifies legislative policy for the Legislative Audit Commission (LAC). States that fraud, waste, and abuse are unacceptable in public programs and must be prevented, and if fraud occurs it must be identified and fully prosecuted. (Background: in existence since 1973, the Legislative Audit Commission consists of six representatives, three from each party, and six senators, three from each party.)
2	Complementary. Requires the LAC to ensure that the work of the OIG is complementary to, and not duplicative of, that of the Office of the Legislative Auditor.

Section Description – Article 1: Office of the Inspector General

3 Executive secretaries.

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

4 Appointment and term.

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

5 Obligation to notify the legislative auditor.

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

6 Definitions.

Defines key terms such as "fraud," "waste," "abuse," "investigation," and "recipient of state funds."

7 Office of the Inspector General.

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

Subd. 2. Purpose. States the inspector general must investigate and combat fraud, waste, and abuse in state government.

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

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

8 Duties.

Assigns the inspector general several duties, including embedding staff within seven named executive branch departments, overseeing state grantmaking, maintaining a fraud reporting website and hotline, coordinating with the legislative auditor, and reporting suspected fraud to law enforcement. Provides that policies and procedures developed by the OIG are not subject to rulemaking requirements, but the OIG must

Section Description – Article 1: Office of the Inspector General

- submit all policies to the LAC at least 30 days prior to adoption. Classifies procedures developed by OIG as nonpublic data.
- 9 **Powers.**
Bestows certain powers upon the OIG, including requiring any recipient of state funds to provide full and unrestricted access to their records and other documents, and access to their sites and facilities at reasonable times and without delay. Empowers the OIG to subpoena witnesses, administer oaths, and compel the production of data. Empowers OIG to, in consultation with law enforcement, impose or require state agencies to impose appropriate temporary sanctions such as withholding payment to a recipient of state funds under certain specified circumstances.
- 10 **Data practices.**
Provides the OIG with access to all government data regardless of classification, but subjects the OIG to the Government Data Practices Act and requires OIG to protect not public data in the OIG's possession from unlawful disclosure. States that members of the LAC are liable for unauthorized use of public data provided to the LAC by the OIG. Prohibits the LAC from authorizing its members to gain access to private tax data on individuals.
- 11 **Retaliation prohibited.**
Provides that any employee or other individual who discloses information about fraud, waste, or abuse in state programs is protected under the state whistleblower act from dismissal or other retaliation by their employer.
- 12 **Interference prohibited.**
Prohibits state employees from interfering with or obstructing an OIG investigation.
- 13 **Reporting required.**
Requires the OIG to quantify and report fraud, waste, or abuse in a state agency to the LAC and the chairs of the legislative committees with jurisdiction over the agency's operating budget.
- 14-17 **Grants management.**
These sections transfer state grants management and oversight powers and duties from the Department of Administration to the OIG, lower the default administration allowance for grants, and require state agencies to suspend a grant when the grantee is charged with a crime relating to a state grant agreement.

Section Description – Article 1: Office of the Inspector General

- 18 **Detection and prevention of fraud and other misuse of public funds.**
 Subdivision 1. Definitions. Defines the terms “agency” (i.e., all entities subject to audit by the Office of the Legislative Auditor) and “obligated officer” (i.e., agency heads and managers) for purposes of this section.

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

 Subd. 3. Identification of fraud reporting tools. Requires all agencies to prominently post on their website the fraud reporting tools administered by the OIG and the OLA. Requires any grant agreement between the state and a nonprofit organization to require the nonprofit to post the same information on its website for the duration of the grant.
- 19 **Legislative auditor.**
 Requires state employees and officers, the University of Minnesota, and other organizations subject to audit by the OLA to promptly report evidence of theft, embezzlement, or unlawful use of public funds or property regardless of whether doing so would impede or otherwise interfere with an ongoing criminal investigation.
- 20 **Inspector general.**
 Similar to the prior section, this section requires the same entities to promptly report to the OIG when discovering evidence of fraud, waste, or abuse of public funds or property.
- 21 **Appropriation.**
 Appropriates an unspecified amount of annual funding from the general fund to the OIG for purposes of this bill.
- 22 **Appropriation.**
 Appropriates an unspecified amount of additional annual funding from the general fund to the OLA.
- 23 **Effective date.**
 Provides an effective date of July 1, 2025.

Article 2: Conforming Items and Repealers

This article abolishes existing statutory duties and powers concerning grants management and fraud investigation and transfers these duties, along with relevant personnel, active investigations, etc., to the OIG.

Section	Description – Article 2: Conforming Items and Repealers
1	Other salary and compensation plan. Requires the Legislative Coordinating Commission (or its Subcommittee on Employee Relations) to review and approve or reject the compensation plan for employees of the OIG in the same manner that the commission reviews and approves or rejects compensation plans for the OLA.
2	Mandatory reporting. Requires reporting of suspected fraud in the licensing of childcare programs and child foster care providers and residence settings to OIG, rather than the Office of the Inspector General in the Department of Children, Youth, and Families (DCYF), which would be abolished in section 6.
3	Mandatory reporting. Requires reporting of suspected fraud in Department of Human Services (DHS) licensing programs to OIG, rather than the Office of the Inspector General in the Department of Human Services, which would lose jurisdiction over fraud, waste, and abuse investigations in section 6.
4	Use of data. Authorizes dissemination of unemployment insurance data to the OIG, rather than the Office of the Inspector General in the Department of Human Services, which would lose jurisdiction over fraud, waste, and abuse investigations in section 6.
5	Data privacy. Authorizes dissemination of paid family leave data to the OIG, rather than the Office of the Inspector General in the Department of Human Services, which would lose jurisdiction over fraud, waste, and abuse investigations in section 6.
6	Existing duties abolished; transfers provided. Subd. 1. Duties abolished. Abolishes existing duties pertaining to fraud, waste, and abuse investigations in the Minnesota Department of Education (MDE), DHS, and DCYF effective the day after the OIG certifies it has assumed responsibility for these duties.

Section Description – Article 2: Conforming Items and Repealers

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

Subd. 3. Grants management transfer. Transfers all grants management policies, contracts, personnel, etc. from the Department of Administration to the OIG, except as provided by the inspector general.

7 Repealer.

Repeals the statutes governing the MDE Office of the Inspector General and the Office of Grants Management in the Department of Administration.

8 Effective date.

- (a) Provides that section 1 (OIG compensation plan procedures), section 6 (abolishment and transfer of existing fraud, waste, and abuse duties), and section 7, subdivision 1 (repeal of existing grants management statutes) take effect July 1, 2025.
- (b) Provides that section 2 (requirement to report child and foster care licensing fraud to OIG, rather than DCYF) takes effect the day after OIG assumes responsibility for identifying and investigating fraud, waste, and abuse at DCYF.
- (c) Provides that sections 3 (requirement to report fraud in DHS licensing programs to OIG, rather than DHS) and 5 (dissemination of paid leave data modified) take effect the day after OIG assumes responsibility for identifying and investigating fraud, waste, and abuse at DHS.
- (d) Provides that section 7, subdivision 1 (repeal of MDE OIG statutes) begins the day after OIG assumes responsibility for identifying and investigating fraud, waste, and abuse at MDE.



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