

127A.21 SANCTIONS; OTHER POWERS.

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.

[See Note.]

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

(b) "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.

(c) "Inspector general" means the inspector general appointed under chapter 15E.

(d) "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.

[See Note.]

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.

[See Note.]

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.

(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.

[See Note.]

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.

[See Note.]

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 and the commissioner may impose appropriate sanctions if:

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

(2) the inspector general has found that a program participant has a demonstrated pattern of noncompliance with an investigation.

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

(d) Unless prohibited by law, the commissioner has the authority to take action based on findings or 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 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 (f).

(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 inspector general notifies the commissioner that the inspector general determines there is insufficient evidence of fraud or misuse 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.

[See Note.]

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.

[See Note.]

Subd. 8. **Limits on receiving public funds; prohibition.** (a) This subdivision does not authorize any action that reduces, pauses, or otherwise interrupts state or federal aid to a school district; charter school; cooperative unit as defined in section 123A.24, subdivision 2; or any library, library system, or library district defined in section 134.001.

(b) For purposes of this subdivision, "program participant" includes individuals or persons who have an ownership interest in, control of, or the ability to control a program participant in a department program.

(c) If a program participant is excluded from a department program, the commissioner may:

(1) prohibit the excluded program participant from enrolling in, receiving grant money from, or registering in any other program administered by the commissioner; and

(2) disenroll or disqualify the excluded program participant from any other program administered by the commissioner.

(d) If a program participant enrolled, licensed, or receiving funds under any contract or program administered by a Minnesota state agency or federal agency is excluded from that program, the inspector general shall notify the commissioner, who may:

(1) prohibit the excluded program participant from enrolling in, becoming licensed, receiving grant money from, or registering in any other program administered by the commissioner; and

(2) disenroll or disqualify the excluded program participant from any other program administered by the commissioner.

(e) The duration of a prohibition, disenrollment, revocation, suspension, or disqualification under paragraph (c) must last for the longest applicable sanction or disqualifying period in effect for the program participant permitted by state or federal law. The duration of a prohibition, disenrollment, revocation, suspension, or disqualification under paragraph (d) may last up until the longest applicable sanction or disqualifying period in effect for the program participant as permitted by state or federal law.

Subd. 9. **Notice.** Within five days of taking an action against a program participant under subdivision 8, paragraph (c) or (d), the commissioner must send notice of the action to the program participant. The notice must state the:

(1) basis for the action;

(2) effective date of the action;

(3) right to appeal the action; and

(4) requirements and procedures for reinstatement.

Subd. 10. **Appeal.** (a) Upon receipt of a notice under subdivision 9, a program participant may request a contested case hearing, as defined in section 14.02, subdivision 3, by filing with the commissioner a written request of appeal. The appeal request must be received by the commissioner no later than 30 days after the date the notification was mailed to the program participant.

(b) The appeal request must specify:

(1) each disputed item and the reason for the dispute;

(2) the authority in statute or rule upon which the program participant relies for each disputed item;

(3) the name and address of the person or entity with whom contacts may be made regarding the appeal; and

(4) other information required by the commissioner.

(c) Unless a timely and proper appeal is received by the commissioner, the action of the commissioner shall be considered final and binding on the effective date of the action as stated in the notice under subdivision 9, clause (2).

Subd. 11. **Withholding of payments.** (a) This subdivision does not authorize withholding of payments that reduces, pauses, or otherwise interrupts state or federal aid to a school district; charter school; cooperative unit as defined in section 123A.24, subdivision 2; or any library, library system, or library district defined in section 134.001.

(b) Except as otherwise provided by state or federal law, the commissioner may withhold payments to a program participant in any program administered by the commissioner, to the extent permitted under federal law, if the inspector general determines there is a credible allegation of fraud or misuse in a pending investigation by the inspector general regarding a program administered by the department, a Minnesota state agency, or a federal agency.

(c) Allegations are considered credible when they have indicia of reliability and the inspector general has reviewed the evidence and acts on a case-by-case basis. A credible allegation of fraud is an allegation that has been verified by the commissioner from any source, including but not limited to:

- (1) fraud hotline complaints;
- (2) claims data mining; and
- (3) patterns identified through provider audits, civil false claims cases, and investigations.

(d) The commissioner must send notice of the withholding of payments within five days of taking such action. The notice must:

- (1) state that payments are being withheld according to this paragraph;
- (2) set forth the general allegations as to the reasons for the withholding action, but need not disclose any specific information concerning an ongoing investigation;
- (3) state that the withholding is for a temporary period and cite the circumstances under which withholding will be terminated; and
- (4) inform the program participant of the right to submit written evidence for consideration by the commissioner.

(e) The withholding of payments shall not continue after the inspector general notifies the commissioner that there is insufficient evidence of fraud by the program participant or after legal proceedings relating to the alleged fraud are completed, unless the commissioner has sent notice under subdivision 5 of the intention to take an additional action related to the program participant's participation in a program administered by the commissioner. If the inspector general determines there is insufficient evidence of fraud by the program participant or after legal proceedings relating to the alleged fraud are completed, the inspector general shall notify the commissioner within ten days of the determination.

(f) The withholding of payments is a temporary action and shall not be subject to appeal under this subdivision or chapter 14.

History: 2023 c 55 art 12 s 12; 2024 c 115 art 10 s 2; 2025 c 20 s 101; 2026 c 92 art 2 s 3-8,17

NOTE: Subdivisions 1, 2, 3, 4, 6, and 7 are repealed by Laws 2026, chapter 92, article 2, section 17, effective the day after the inspector general appointed under Minnesota Statutes, chapter 15E, notifies the revisor of statutes that the Office of the Inspector General under Minnesota Statutes, chapter 15E, has assumed responsibility for identifying and investigating fraud, misuse, and other unlawful use of public funds in the Department of Education. Laws 2026, chapter 92, article 2, section 17, the effective date.

NOTE: Subdivision 1a, paragraph (c), as added by Laws 2026, chapter 92, article 2, section 3, is effective the day after the inspector general appointed under Minnesota Statutes, chapter 15E, notifies the revisor of statutes that the Office of the Inspector General under Minnesota Statutes, chapter 15E, has assumed responsibility for identifying and investigating fraud, misuse, and other unlawful use of public funds in the Department of Education. Laws 2026, chapter 92, article 2, section 3, the effective date.