

# HOUSE RESEARCH

## Bill Summary

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### Article 1

#### **Misuse of State Funds**

Provides a gross misdemeanor penalty for a state official or employee who intentionally used money appropriated by law or fees collected knowing that the use is for a purpose other than the purpose for which the money has been appropriated. Amends related laws dealing with misuse of state funds. Requires development of best practices for state appointing authorities conducting investigations in which the appointing authority compels its employees to answer questions about allegedly inappropriate activity.

### Section

- 1** **Financial audits.** Expands the scope of the requirement for the Legislative Auditor to investigate allegations of noncompliance in the course of financial audits by eliminating the limitation to state employees and employees of agencies listed in this subdivision.
- 2** **Legislative Auditor duties.** Provides that when the Legislative Auditor determines that a state official or employee has used money for a purpose other than the purpose for which the money was appropriated, the Auditor must report this to the Legislative Audit Commission, the Attorney General, and the appropriate county attorney. Current law requires these reports when the Legislative Auditor finds a misuse of public money or other public resources.
- 3** **Misappropriation of money.** Provides a gross misdemeanor penalty for a state official or employee of a department in the executive, legislative, or judiciary who intentionally uses money appropriated by law or fees collected, knowing that the use is for a purpose other

than the purpose for which the money has been appropriated.

- 4 Best practices for investigations.** Requires the commissioner of finance to develop and make available to state appointing authorities a best practices policy for conducting investigations in which the appointing authority compels its employees to answer questions about allegedly inappropriate activity. Requires that the policy be designed to facilitate effective investigations without compromising the ability to prosecute criminal cases when appropriate. Requires appointing authorities to follow the policies or to develop their own.

## Article 2

### Internal Controls

Establishes new duties relating to financial management and internal controls for the Legislative Audit Commission and the commissioner of finance. Creates a Financial Controls Council.

- 1 Legislative Audit Commission.** Requires the Legislative Audit Commission to monitor internal control systems in state government to the extent necessary to ensure that management has established and implemented effective systems and procedures. Lists specific duties for the Commission.
- 2 Commissioner of Finance.** Strikes current law governing duties of the commissioner of finance with respect to internal auditing, because the next section prescribes these duties in more detail.
- 3 Internal Control and Internal Auditing.** Provides that the commissioner of Finance is responsible for the system of internal controls across the executive branch. Requires the commissioner to adopt internal control standards and policies that agencies must follow, to coordinate training for executive employees, and to provide internal control support to agencies that the commissioner determines need this assistance. Provides that the head of each executive agency is responsible for designing, implementing and maintaining effective internal controls with the agency. This section does not apply to MnSCU.
- 4 Financial Control Council.** Requires the executive council (the five constitutional officers) to appoint a five-member Financial Controls Council. Requires members to have experience in internal control issues. Requires the council to advise the commissioner of finance, the Governor, the Legislative Audit Commission, and the legislature on the system of internal controls for executive agencies.