

Whistleblower reported daycare fraud and possible link to terrorism to DHS management

| Published May 15, 2018 7:49am CDT | News | FOX 9 Minneapolis-St. Paul |

(KMSP) - A government whistleblower said he warned upper management at the Department of Human Services about massive daycare fraud more than a year ago.

Emails obtained by the Fox 9 Investigators show the Minnesota government agency was told millions of stolen tax dollars were going overseas and likely a portion of the money was being skimmed by terrorism organizations.

Scott Stillman spent eight years managing the state's digital forensics lab, meaning he mined data from computers and smart phones.

"I have never seen anything like this level or scope in my 27-year career as an investigator," he told Fox 9.

When the state started going after daycare centers suspected of fraud, Stillman was directly involved in the investigations.

Some of the businesses were gaming the system to steal millions in government subsidies meant to help low-income families with their childcare expenses.

In many of the cases, parents would check in their children at a daycare, only to leave a few minutes later with the kids and sometimes no children would show at the center. However, it would still bill the state for a full day of childcare.

Stillman was so alarmed by what he found that in March of 2017 he fired off a series of emails to his supervisors at DHS.

"We are working on and overwhelmed by a significant amount of fraud cases involving organized crime, defrauding hundreds of millions of dollars annually in taxpayer monies," he wrote.

Stillman read from one of the emails he wrote which the Fox 9 Investigators obtained through a public records request.

DHS took two months before it turned over the emails, and much of what it provided was redacted.

"They were not easy to write," he said. "But I felt I had an obligation because I think there's a strong possibility this money is being used against innocent civilians and against our military."

According to Stillman, he alerted a number of people in DHS including the Commissioner's Chief of Staff with the following message: "Significant amount of these defrauded dollars are being sent overseas to countries and organizations connected to entities known to fund terrorists and terrorism."

At a Monday press briefing, the governor told Fox 9 his office was not told about the warnings.

Sources tell the Fox 9 Investigators people within the governor's office were told about the concerns a couple of years ago.

"My chief of staff, current and previous staff, from what I'm told, did not get any information alleging there was that kind of theft," Dayton said.

The state currently has 10 daycare centers under investigation for fraudulent billing of childcare services.

Each of the suspect centers has received several millions of dollars in government subsidies.

According to public records and government sources, Somali immigrants own most of the daycare centers.

Fox 9 asked the Department of Human Services about the emails Stillman sent in 2017 and more specifically who, in the chain of command, was aware of them and when.

DHS responded with a statement: "The Deputy Commissioner, communication and legal staff learned there may be emails on this subject when Fox 9 made it data request in March. The then-chief compliance officer was informed at the time the emails were originally sent."

"I would like to have an independent federal investigation of the handling of D+ programs, specifically daycares and the Medicaid fraud program by Homeland Security of the Department of Justice."

Stillman is no longer with the state. He resigned from his position in March after 10 years on the job.

READ NEXT: Million of dollars in suitcases fly out of MSP, but why?

This material may not be published, broadcast, rewritten, or redistributed. ©2026 FOX Television Stations

Millions of dollars in suitcases fly out of MSP, but why?

| Published May 14, 2018 2:00pm CDT | News | FOX 9 Minneapolis-St. Paul |

MINNEAPOLIS (KMSP) - For five months, Fox 9 has been investigating what appears to be rampant fraud in a massive state program.

This fraud is suspected of costing Minnesota taxpayers as much as \$100 million a year.

The Fox 9 Investigators reporting is based on public records and nearly a dozen government sources who have direct knowledge of what is happening.

These sources have a deep fear, and there is evidence to support their concern that some of that public money is ending up in the hands of terrorists.

SUITCASES FILLED WITH MONEY

This story begins at Minneapolis-St. Paul International Airport, where mysterious suitcases filled with cash have become a common carry-on.

On the morning of March 15, Fox 9 chased a tip about a man who was leaving the country. Sources said he took a carry-on bag through security that was packed with \$1 million in cash. Travelers can do that, as long as they fill out the proper government forms.

Fox 9 learned that these cloak-and-dagger scenarios now happen almost weekly at MSP. The money is usually headed to the Middle East, Dubai and points beyond. Sources said last year alone, more than \$100 million in cash left MSP in carry-on luggage.

The national, go-to expert on what is behind these mysterious money transfers is Glen Kerns.

"What we were interested in is where it was going," Kerns said.

He is a former Seattle police detective who spent 15 years on the FBI's joint terrorism task force, until his retirement.

"It's an outright crime, it's unbelievable," he said.

Kerns tracked millions of dollars in cash that was leaving on flights from Seattle

It was coming from Hawalas, businesses used to courier money to countries that have no official banking system.

Some immigrant communities rely on Hawalas to send funds to help impoverished relatives back home.

Kerns discovered some of the money was being funneled to a Hawala in the region of Somalia that is controlled by the al Shabaab terrorist group.

"I talked to a couple of sources who had lived in that region and I said, 'If money is going to this Hawala do you think it is going to al Shabaab?'" said Kerns. "And he said, 'Oh definitely, that area is controlled by al Shabaab, and they control the Hawala there.'"

He said when the money arrives, whether it was intended for legitimate purposes or not, al Shabaab or other groups demand a cut.

As Kerns dug deeper, he found that some of the individuals who were sending out tens of thousands of dollars' worth of remittance payments happened to be on government assistance in this country.

How could they possibly come up with such big bucks to transfer back home?

"We had sources that told us, 'It's welfare fraud, it's all about the daycare,'" said Kerns.

FOX 9 REPORTED ON THE FRAUD FIVE YEARS AGO

To better understand the connection between daycare fraud and the surge in carry-on cash, you have to look at the history of this crime.

Five years ago the Fox 9 Investigators were first to report that daycare fraud was on the rise in Minnesota, exposing how some businesses were gaming the system to steal millions in government subsidies meant to help low-income families with their childcare expenses.

"It's a great way to make some money," Hennepin County Attorney Mike Freeman said.

In order for the scheme to work, the daycare centers need to sign up low income families that qualify for child care assistance funding.

Surveillance videos from a case prosecuted by Hennepin County show parents checking their kids into a center, only to leave with them a few minutes later. Sometimes, no children would show up.

Either way, the center would bill the state for a full day of childcare.

Video from that same case shows a man handing out envelopes of what are believed to be kickback payments to parents who are in on the fraud.

When asked where the money was going, Freeman said, "I don't know exactly where it went. But it adds up when you begin to look at how many people were involved."

FOZIA ALI

One recent federal case points to at least some of the money going overseas.

Fox 9 obtained video of Fozia Ali being sworn in as a member of the city of Hopkins Park Board.

"I will support the constitution of the United States," she said.

As she was taking her oath of office, she was also under investigation for wire fraud and theft of public money.

"So help me God," she said during the ceremony.

State and federal agents had already raided Ali's daycare center in south Minneapolis. The business was suspected of billing the government for more than a million dollars' worth of bogus childcare services.

"We found records that she was collecting a significant amount of money for a much larger number of children than were actually attending the center," said Craig Lisher from the FBI. "We are aware that some of the funds went overseas what she was cashing out, money from the business."

When asked if he had any idea of what it was going for he said, "I can't say." When pressed if he can't say or doesn't know he responded, "I can't say."

Investigators analyzed Ali's cell phone to track her activities.

She took a two-month trip from Minnesota to Dubai and then Kenya, staying at times in \$800 a night hotel rooms.

She used an app on her phone to bill the state of Minnesota for childcare services while she was out of the country.

Ali pled guilty to the daycare fraud and in March started serving time in a federal prison. She declined Fox 9's request for an interview.

10 DAYCARES UNDER ACTIVE INVESTIGATION

"We believe that there's a scope of fraud out there that we really need to get our arms around and ensure that those dollars are going to kids that really need them," Acting Commissioner for the Department of Human Services Chuck Johnson said.

He told the Fox 9 Investigators his agency has 10 daycares currently under active investigation for fraud.

Fox 9 has learned dozens more are considered suspicious.

Search warrants obtained by the Fox 9 Investigators show each one of the suspect centers has received several million dollars in childcare assistance funds.

According to public records and government sources, most are owned by Somali immigrants.

When asked if the Department of Human Services has any evidence to suggest this looks like organized crime, Johnson responded, "There's a common pattern in how a lot of these are carried out, but beyond that, not something that I would directly categorize as organized crime."

Sources in the Somali community told Fox 9 it is an open secret that starting a daycare center is a license to make money.

The fraud is so widespread they said, that people buy shares of daycare businesses to get a cut of the huge public subsidies that are pouring in.

Government insiders believe this scam is costing the state at least a hundred million dollars a year, half of all child care subsidies.

"I don't think half sounds credible," Johnson said. "I certainly think that some of the schemes that we're seeing and certainly the ones that we've brought forward already for prosecution involve millions of dollars. I mean this is not a small scam that we're looking at."

TRACKING THE MONEY?

Minnesota started aggressively going after daycare fraud in 2014. Back then, it was easier to track the flow of money.

The state would pay a daycare's bill and within hours of the money showing up the business's bank account, funds were being wired to the United Arab Emirates.

Those wire transfers stopped after a few centers were busted.

Which brings us back to those mysterious suitcases at Minneapolis-St. Paul International.

In 2015, investigators documented \$14 million in carry on cash. By 2016, it had mushroomed to \$84 million. Then last year, \$100 million.

A trend all too familiar to former terrorism investigator Glen Kerns.

Fox 9 asked him how likely it is that some of the money is going towards terrorism?

"I say absolutely, our sources tell us that. Good sources, from the community leaders," he said. "My personal opinion is we need a nationwide task force to clamp down on this type of fraud."

This crime is spreading. Sources tell Fox 9 fraudsters in other states are now using the Minnesota playbook to rip off millions of public dollars meant to help kids.

This material may not be published, broadcast, rewritten, or redistributed. ©2026 FOX Television Stations