



Waste, Fraud, and Abuse in Minnesota

2025-2026 SESSION REPORT



**Minnesota Fraud
Prevention and
Oversight Committee**

Minnesota House Fraud Prevention & State Agency Oversight Committee

Members: Kristin Robbins (Chair), Patti Anderson (Vice Chair), Dave Pinto (Lead), Pam Altendorf, Steve Elkins, Emma Greenman, Jim Nash, Isaac Schultz

Former Members: Walter Hudson, Marion Rarick

First Meeting: February 10, 2025: Oversight of state-funded grants to nonprofit organizations

Second Meeting: February 17, 2025: State grants oversight and audit recommendations

Third Meeting: February 24, 2025: Oversight of DHS-licensed daycare facilities receiving CCAP funding

Fourth Meeting: March 3, 2025: DEED grant programs

Fifth Meeting: March 10, 2025: Minnesota's fraud problem

Sixth Meeting: March 17, 2025: DHS Behavioral Health Administration

Seventh Meeting: March 24, 2025: Governor's anti-fraud proposals 2025

Eighth Meeting: April 7, 2025: COVID-related state funding and unemployment insurance spending

Ninth Meeting: April 28, 2025: Fraud enforcement efforts by the Attorney General's Office

Tenth Meeting: May 5, 2025: Medicaid fraud in Minnesota

Eleventh Meeting: July 8, 2025: Medicaid eligibility

Twelfth Meeting: September 17, 2025: Housing Stabilization Services & Integrated Community Supports

Thirteenth Meeting: October 14, 2025: Fraudulent voter registrations

Fourteenth Meeting: November 19, 2025: Paid Family & Medical Leave

Fifteenth Meeting: December 17, 2025: Customized Living and Adult Day Services

Sixteenth Meeting: January 21, 2026: Minnesota Management and Budget & Office of Grants Management

Seventeenth Meeting: February 23, 2026: Early Intensive Developmental Behavioral Intervention

Eighteenth Meeting: March 2, 2026: Nonemergency Medical Transportation

Nineteenth Meeting: March 9, 2026: O'Malley fraud prevention roadmap and Periodic Data Matching

Twentieth Meeting: March 23, 2026: Cash leaving MSP and international remittances oversight concerns

Twenty-First Meeting: April 7, 2026: BHA grants and EIDBI kickbacks OLA reports

Twenty-Second Meeting: April 13, 2026: Governor's anti-fraud proposals 2026

Twenty-Third Meeting: April 21, 2026: Charter school oversight and Feeding Our Future

Twenty-Fourth Meeting: April 28, 2026: CCAP Fraud investigations

Twenty-Fifth Meeting: May 5, 2026: Wrap up discussion and Legislative subpoena of Rep. Ilhan Omar



Fraud Prevention and State Agency Oversight Policy Committee

May 13, 2026

*Speaker Lisa Demuth
Minnesota House of Representatives
658 Cedar Street
St. Paul, MN 55155*

Chair
Kristin Robbins
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Dear Speaker Demuth,

DFL Caucus Lead
Dave Pinto
5th Floor Centennial Office Bldg.
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The House Fraud Prevention & State Agency Oversight Committee, established in January 2025, has been conducting oversight hearings during the 2025 – 2026 biennium in an effort to understand the scope and depth of fraud in public programs in the State of Minnesota.

Members
Patti Anderson, Vice Chair
Pam Altendorf
Steve Elkins
Emma Greenman
Jim Nash
Isaac Schultz

In conducting oversight hearings, we have heard from multiple state agencies, the Attorney General’s Office, the Office of the Secretary of State, and the Office of the Legislative Auditor. In these hearings, the Committee has identified patterns of fraudulent behavior and red flags that serve as indicators of fraud, and we have also heard directly from whistleblowers, the public and law enforcement officials.

Committee Staff:
Committee Administrator
Lorie Cousineau


This report of our findings is submitted respectfully to the Minnesota House of Representatives, and we hope it will serve as a guide for future fraud inquires, and future legislative action to address our findings. We also hope that this report will serve as a roadmap for other states, who are just beginning to investigate fraud in their jurisdictions.

Committee Legislative Assistant
Curtis Pederson


Research
Will Golding

House Research
Ben Johnson

Respectfully,


Kristin Robbins
Chair


Patti Anderson
Vice Chair


Pam Altendorf


Jim Nash


Isaac Schultz

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Fraud Prevention and Agency Oversight Committee
Final Report

Executive Summary

In January of 2025, the Minnesota House of Representatives created the first House Committee with a sole focus on oversight. The Fraud Prevention & State Agency Oversight Committee was formed in the wake of the Feeding our Future (FOF) COVID-era meal fraud scheme and increasing concern that the non-traditional portion of Minnesota’s Medicaid program (the so-called “waivered services”) was also riddled with fraud. At the time, leaders thought that FOF might exceed \$200 million, and thought that this unprecedented level of fraud justified special focus by an Oversight Committee.

After two dozen hearings with dozens of witnesses, hundreds of whistleblower reports and reviewing hundreds of documents and reviewing years of Office of Legislative Auditor reports, it is clear that the breadth and depth of fraud in Minnesota is much worse than anyone thought possible, and stretches across multiple agencies in the Walz Administration. The Committee has concluded that:

- By 2019, senior officials in Governor Walz’s office, DHS, and Attorney General Ellison’s office knew that large-scale fraud was likely occurring in the Child Care Assistance Program (CCAP), and by 2020 within the Minnesota Department of Education (MDE).
- The Walz Administration ignored and consciously downplayed shocking levels of fraud across more than a dozen Medicaid waiver programs, including EIDBI/Autism, Emergency Medical Transportation (EMT), Integrated Community Supports (ICS), sober homes, Adult Day Care, Assisting Living Services, and many others.
- Governor Walz created a culture that enabled fraud by failing to hold anyone in his administration accountable, despite years of credible whistleblower and OLA reports and actual federal criminal indictments and convictions. Instead of addressing the problem directly early in 2019 in the wake of the OLA reports on CCAP fraud, he downplayed or ignored the evidence and closed the criminal investigation unit that was having the greatest impact. Over the 8 years he has been in office, he has sought to shift blame rather than take responsibility and solve problems. A prime example was during the height of the Feeding our Future (FOF) scam, when Governor Walz tried to blame a court order for his failure to stop payments to fraudsters, despite significant evidence of fraud. This tactic was repudiated by the judge.
- When diligent and courageous government employees reported fraud and tried to get action, the Walz Administration ignored, demoted, and retaliated against whistleblowers, sometimes accusing them of being racists.

- Despite having sufficient authority to take action to prevent fraud and the authority to place new controls when necessary, the Walz Administration allowed the fraud to explode to unprecedented levels.
- All of these failures have created opportunities for serial fraudsters to steal billions from Minnesota taxpayers across multiple programs for years. The Walz Administration has been lax and permissive, allowing indicted fraudsters and their associates to continue stealing from Minnesotans in other programs.
- This malfeasance and incompetence has cost Minnesotans \$300 million in federal meals fraud and up to \$9 billion in Medicaid fraud. These numbers do not include potential hundreds of millions more in fraud in childcare and SNAP benefits.

Democrats Have Created a Culture of Fraud

In the inaugural Fraud Committee meeting, we stated, optimistically, that “fraud is not a partisan issue.” This is certainly how Minnesotans feel – they are fed up with billions of their hard-earned tax dollars being stolen by criminal and they want accountability.

But, unfortunately, the past two years of oversight hearings have demonstrated that the Walz Administration does not take fraud seriously. They have failed to use the tools at their disposal to combat fraud – basic due diligence that Minnesotans assumed were part of routine internal controls and program management.

The record uncovered through our hearings has demonstrated that Democrats in the Dayton and Walz Administration prioritized getting as much money out the door as possible, with little regard to protecting taxpayers or vulnerable citizens in need of services. As Gov. Walz’s recently-appointed Program Integrity Director, Judge Tim O’Malley stated in his report¹ and in our hearing on March 9, 2026, they “prioritized compassion over compliance.”²

While most Democrats may theoretically oppose fraud, many in fact have come to accept fraud as a cost of doing business and are unwilling to spend the political capital necessary to stop the fraud.

More disturbing, our hearings also revealed that Democrats in the Dayton and Walz Administrations, as well as in the Minnesota House of Representatives, took steps to suppress findings of fraud. These issues will be discussed in detail in the report, but some examples include:

¹ [Tim O’Malley, Roadmap to Program Integrity and Fraud Prevention: Strengthening Minnesota’s Stewardship of Public Resources, Feb. 23, 2026.](#)

² [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 3/9/2026.](#)

- DHS officials in the Dayton Administration attempted to suppress or alter an email from the supervisor of the Childcare Provider Criminal Investigation Unit regarding fraud to the Office of Legislative Auditor.
- DHS officials in the Dayton Administration made changes to a consulting report to reduce the estimated amount of childcare fraud.
- Early in the Walz Administration (March 2019), the Office of Legislative Auditor (OLA) released a report³ about fraud in the Child Care Assistance Program (CCAP). Then-OLA Jim Nobles later wrote that former Speaker of the House Melissa Hortman told him “that House Committee Chairs had been instructed not to give OLA reports about fraud.”⁴
- Rather than commit extra resources and attention to fraud prevention efforts in the wake of the OLA reports, the Walz Administration closed down the criminal investigation unit examining childcare fraud at DHS.

This complicit acceptance of fraud by the Democrat leaders allowed a culture of fraud to take root in Minnesota. Additionally, as has been widely reported, the vast majority of those indicted and convicted in the fraud schemes to date are from the Somali community. Of course, not all Somalis are involved in fraud, and we are always quick to point out that some of our best whistleblowers have come from the Somali community. Nevertheless, many of the fraudsters, who have demonstrated ties to Democrat politicians, came to believe that fraud was tolerated and paid in a big way. They saw friends and neighbors with political connections get rich by scamming Minnesota taxpayers, and very few have suffered significant consequences.

The Scale of the Fraud

Predictably, this culture of tolerance for fraud resulted in a staggering amount of fraud in Minnesota. Merrick Garland, President Joe Biden’s Attorney General, called Feeding our Future, the largest COVID fraud case in the country. Former Acting U.S. Attorney Joe Thompson estimated that the fraud in 14 high-risk Medicaid program exceeded \$9 billion. To put that in perspective, that is enough to give every adult Minnesotans a check for \$1,969. \$9 billion would also buy an average-priced home for almost 26,000 Minnesotans.

And \$9 billion in Medicaid fraud is just the tip of the iceberg. That figure doesn’t account for more than \$250 million in Feeding Our Future fraud in the federal school nutrition program and doesn’t include fraud in other program areas, such as SNAP benefits, childcare and dozens of grant programs.

Another way to measure the fraud is criminal prosecutions. To date, federal prosecutors have charged more than 90 people with fraud-related crimes, with over 65 convicted or pleading guilty. They promise that there is much more to come.

³ [Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Fraud Allegations, March 13, 2019.](#)

⁴ [Jim Nobles, “Former Legislative Auditor: Is the Walz Administration Finally Awake About Fraud?,” Minnesota Star Tribune, Oct. 22, 2025.](#)

However it is measured, it is clear that the scale of Minnesota’s fraud is both massive and unprecedented.

The Opportunity for Fraud

The breathtaking level of fraud demonstrates that the criminals have figured out how to efficiently fleece the taxpayers of Minnesota while those with oversight responsibility turned a blind eye.

We’ve learned that the “anatomy of fraud” contains many elements, but it starts with the reality that fraud is a crime of opportunity. While criminals defrauding public programs are clearly intent on scamming taxpayers, they are only able to do so if the conditions are right.

This report will demonstrate that two Democrat Administrations:

- Enabled fraud;
- Allowed fraud to continue by ignoring OLA reports, whistleblowers, and red flags; and
- Covered up fraud

The Walz Administrations Enabled Fraud by Poor Program Design and Weak Controls

Some of their faulty program management and design features include:

- *Creating too many new waived services programs* – Starting in 2020, the Walz Administration created several new Medicaid waived service programs. They ignored the reality that when a new program is created, the regulatory and compliance structure are often undeveloped. In addition, new staff and service providers are both learning new program requirements. All of this uncertainty provides space for fraudsters. As this report will show, many of the programs that saw large amounts of fraud, such as Housing Stabilization Services, EIDBI or Autism Services, and Integrated Community Supports (ICS), were new - both in Minnesota and nationally.
- *Low Barriers to Entry* – When a program requires little more than an online form to become a provider, with no documentation, pre-approval site visits, capital investment, or infrastructure, fraud flourishes. Similarly, when a program consists primarily of consultative services or easily outsourced services, such as Peer Recovery Services, Housing Stabilization, Adult Companion Services, EIDBI/Autism, Personal Care Assistance, among others, the risk of fraud is also significantly increased.
- *Attestation vs. Documentation* – When agencies rely on attestation from providers and recipients instead of documentation for eligibility, fraud risk is higher.

- *Programs Billed Based on Attestation of Attendance* – Many programs, like NEMT, Child Care, meal programs, and EIDBI/Autism, are billed based on attestation of attendance. Because such records are easy to forge or backdate, programs that rely on attendance without electronic verification are magnets for fraudsters.

When the Walz Administration realized its poor program design and controls had allowed fraud the flourish, it should have clamped down. Instead, it ignored OLA and whistleblower reports, obvious red flags, and failed to address oversight gaps or use existing tools/authority to combat fraud.

The Walz Administration’s failure to hold anyone accountable for fraud, especially after having had the benefit of the OLA reports in March and April of 2019, is what enabled fraud to grow from an estimated \$5 - \$100 million in the childcare program to billions across multiple Medicaid services.

The Anatomy of Fraud

The Committee identified the same basic pattern used by criminals across multiple programs:

- Identify a program with significant federal money, no enrollment caps, and low barriers to entry.
- Enroll as a provider
- Set up a location, which could be a real business, inside an existing business or simply an address in a coworking space, office building, apartment building, or personal home.
- Sign-up recipients (real or fake);
- Start billing Medicaid
- Increase billing by forging attendance records, double-billing for services, and enrolling recipients in multiple programs (the Committee found these practices in NEMT, Interpretative Services, Sober Homes, Autism Services, Childcare, and others)
- Set up a shell company or related business (either for yourself or a friend) to bill for provision of service to your company to multiply the scale of the fraud
- Bill the shell company or related business for real or fake expenses, such as supplies, meals, transportation, and consulting.
- Add employees who are not needed, such as janitors, daycare workers or “behavioral technicians” to increase the amount of fraudulent billings and profit
- Pay kickbacks to get people to sign up or transfer to your businesses – the Committee saw this practice in the Autism, Adult Daycare, Childcare, and other programs.
- Set up a protection scheme – the provider requires payments from those it involves in the scheme or threatens them with exposure if they raise questions. We saw this with the Minnesota Minority Childcare Association and have had whistleblower reports of this same scam happening in Adult Day Services.

- Blunt criticism by journalists, whistleblowers, Legislators and anyone else by accusing them of being racist or Islamophobic, or threatening legal action.

Attorney General Ellison Has Failed to Protect Taxpayers and Vulnerable Minnesotans

The State's Attorney General, who is supposed to regulate non-profits, prosecute Medicaid fraud and bring civil cases against other bad actors, instead took a meeting with fraudsters who were suing his client, the Minnesota Dept. of Education. In this meeting, which was recorded by the fraudsters, AG Ellison promised to work on their behalf against his own client, who he is supposed to represent.

General Ellison has been largely passive in addressing the rampant fraud in Minnesota, while accepting campaign contributions from some of them (returned only after public exposure, including by our Committee). Depending upon his political needs at any given time, General Ellison has either claimed to be deeply involved in helping prosecute the Feeding Our Future school nutrition fraud case or he has denied knowledge of the case.

General Ellison has also prosecuted relatively few Medicaid fraud cases, despite having original jurisdiction for Medicaid prosecutions and a federally-mandated Medicaid Fraud Control Unit within his office. As we have seen, childcare fraud morphed into Feeding our Future, which has further expanded into multiple vectors of Medicaid fraud – including Housing Stabilization Services (HSS), Integrated Community Supports (ICS), Non-Emergency Medical Transportation (NEMT), Interpretative Services, Adult Day Care, and many other Medicaid-funded programs, including the 14 program areas belatedly designed by Governor Walz as “high-risk” in October, 2025.

Representative Ilhan Omar Created the Conditions for Feeding our Future

The Committee also has uncovered evidence of Representative Ilhan Omar's involvement in creating the conditions that led to Feeding our Future. It started with her introduction of the MEALS Act in March of 2020, which removed the guardrails in the federal school nutrition program and allowed restaurants to participate for the first time.

Rep. Omar then pushed the Trump Administration to extend the waiver rules throughout 2020 and the waivers remained in place throughout 2021, which undoubtedly helped the fraud expand.

The Committee Also Addressed Potential Election and Paid Family Leave Fraud

While most of the Committee's work, and this report, focused on the massive fraud in childcare, Feeding Our Future, and Medicaid programs, it is important to recognize that we tackled other areas of fraud as well.

We held a hearing on election fraud⁵ which highlighted two cases of voter registration fraud in 2025. The Committee called Secretary of State Steve Simon to discuss his office's response to this scheme, in which a state-funded non-profit paid independent contractors to register absentee voters. These contractors were convicted of election fraud when they submitted between 500 and 600 fake absentee ballot applications, which were sent to 13 different counties. These fake voter registrations were not caught by the Secretary of State's Office but were, instead, caught by a diligent county election worker in Carver County.

While Secretary Simon assured the Committee that no actual voter fraud had occurred, his inability to tell the Committee which counties received the fraudulent registrations raised alarms, and the Committee is left with no confidence that affected counties were properly notified. Further concerns were raised when Secretary Simon admitted that the fake voter registrations were not deleted from the state's voter registration system. His claim that they are now "inactive" voter files provided no comfort.

Secretary Simon's staff also testified that non-citizens who are now eligible to receive driver's licenses may, in fact, end up voting. While doing so would be a felony under current law, Secretary Simon's staff admitted that some non-citizens may still, indeed, use their driver's licenses to register to vote, or to cure a challenged ballot, and that their illegal ballot would end up being counted. These facts did not leave the Committee confident in the security of our voter roles or election system.

The Committee also held a hearing on the Paid Family and Medical Leave (PFML) program⁶, which was due to take effect on January 1, 2026. The hearing focused on the risk of fraud in the program given the broad and imprecise definitions in the program, and the reliance on attestation in accepting claims. The Committee is quite concerned that the PFML program may become Minnesota's next vector of fraud if the Administration does not take this risk seriously and ensure that adequate controls are put in place.

Hope for the Future

While the Committee has uncovered significant fraud throughout Minnesota's government, and a severe lack of accountability by the Walz Administration and the agencies which administer the programs, we remain optimistic for four reasons. First, we believe in the common-sense and good faith of everyday Minnesotans. We know that Minnesotans want honest, clean government, and will not stand for corruption. We trust that voters will hold those who either negligently or intentionally enable or allow fraud accountable.

Second, we are pleased that the Legislature has taken significant bipartisan action to address the staggering fraud the Walz Administration has ignored. In addition to the bipartisan creation of the Oversight Committee in 2025, we expanded whistleblower protections, strengthened internal controls, and provided the Administration with more tools to fight fraud. Thus far in 2026, we passed a bill to create an Independent Office of Inspector General (OIG) in the executive branch, with real law enforcement powers. This OIG will be an important tool in stopping fraud even if

⁵ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 10/14/2026.](#)

⁶ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 11/19/2026.](#)

the executive branch fails to do its job. We hope additional fraud prevention measures will still pass this session.

Third, we are encouraged by the work of federal investigators and prosecutors under both Democrat and Republican administrations. The professionalism and dedication of our federal partners has created real accountability for dozens of criminals, with more to come. These efforts are bringing long-delayed justice to criminals, providing a significant deterrent by increasing the risk and cost of defrauding public programs, and are helping to provide the accountability the public has long sought.

Finally, we note with gratitude the tireless efforts of the Office of Legislative Auditor, who has been sounding the alarm for more than a decade and whose detailed recommendations have, unfortunately, often fallen on deaf ears. Our gratitude also extends to the hundreds of brave whistleblowers who have reached out to share their stories. We want to particularly thank Faye Bernstein, Scott Stillman and Jay Swanson, who spoke out years ago at great personal and professional cost and yet bravely stepped forward again to share their stories and illuminate the depth of the fraud they have seen first-hand. We also owe a debt of gratitude to the many excellent local and national investigative journalists who have done dozens of in-depth stories and galvanized the public's attention on these crimes.

We are also grateful for the efforts of our colleagues in the U.S. Congress, including Chairman James Comer and the House Oversight Committee, and Chairman Ted Cruz and the Senate Judiciary Subcommittee on Federal Courts, Oversight, Agency Action, and Federal Rights, as well as Senator Joni Ernst, Senator Ron Johnson and members of the Minnesota Congressional delegation, Tom Emmer, Pete Stauber, Michelle Fishbach and Brad Finstad. We are also grateful for the work of the Trump Administration to help us stop the fraud, including Vice President JD Vance, the Department of Justice, the Department of Treasury, the Centers for Medicare & Medicaid Services (CSM), and the Small Business Administration.

Finally, our report would not be complete without expressing tremendous thanks to Will Golding, our Majority Researcher. Without Will's dogged research, excellent writing and meticulous attention to detail, this report would not have been produced. We also want to thank the entire partisan and non-partisan Committee staff, whose excellence, professionalism and hard work will leave a lasting impact on our beloved state.

Ultimately, we are hopeful that all branches and levels of government will continue to work together to create the fraud-free Minnesota that the hard-working Minnesota taxpayers and vulnerable citizens deserve. We owe them nothing less.

Childcare Assistance Program
Hearing Date: Tuesday April 28, 2026⁷

Background:

The Child Care Assistance Program (CCAP) was one of the first sources of widespread fraud allegations in Minnesota social services, with the earliest reports starting in 2011. In 2013, the Department of Human Services (DHS) created a Childcare Provider Investigative Unit composed of professionals with a background in law enforcement and agents from the Bureau of Criminal Apprehension (BCA) to investigate criminal activity within the CCAP program. This unit conducted several investigations which led to several successful prosecutions of high profile cases of CCAP fraud.

From 2017 through 2019, after the retirement of DHS' Inspector General and Deputy Inspector General, investigators recognized that the new leadership in the Office of Inspector General was often undermining or dismissing the unit's reports of widespread fraud in the CCAP program. The agency ultimately closed the childcare provider investigation unit opting instead for administrative investigations for "over payments" rather than aggressively investigating criminal activity. This new approach was adopted by the Department of Children, Youth and Families when they took over responsibility for the program in the spring of 2025.

In January of 2025, new reports emerged of 62 active investigations by DHS into childcare fraud.⁸ In response, then-DHS Commissioner Jodi Harpstead said, "there are more rumors of fraud than actual fraud" in a Senate hearing the next week.⁹

In February of 2025, the Committee held its first hearing on CCAP fraud to understand how the issue had persisted for over a decade.¹⁰ There had been significant reporting and action on childcare fraud when the first prosecutions began, and it was concerning that this issue was re-emerging as a significant vector of fraud.

Just prior to the hearing, the Committee provided DHS a list of 72 childcare centers that each received over \$1 million in CCAP payments and also had significant license violations. Our staff had visited several of these childcare centers in the fall of 2024 and had found, in many cases, no evidence that they were in operation – windows blacked out, no children, no playgrounds, etc. DHS, who then had jurisdiction over CCAP, assured us that they were handling the 62 investigations expeditiously and that any remaining concerns would be addressed when the responsibility for CCAP was transferred to the new agency established by the Walz Administration, the Dept. of Children, Families (DCYF) in the spring of 2025.

⁷ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 4/28/26.](#)

⁸ [Jay Kolls, "62 Investigations Underway Involving Federally-Funded Minnesota Child Care Centers," KSTP, Jan. 28, 2025.](#)

⁹ [KARE 11 Investigates, "'Flying Blind': State Agency Missed or Ignored Repeated Housing Fraud Warnings," Sept. 11, 2025.](#)

¹⁰ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 2/24/26.](#)

In December 2025 new allegations of CCAP fraud gained national attention and brought increased demand for accountability. The Committee held a second hearing on the issue on April 28, 2026, to uncover why the Walz Administration had shifted away from criminal investigations in CCAP fraud, what role the responsible agencies had in allegations of suppressing investigations, and to what extent the red flags observed by criminal investigators at the time still persist today.

Note: Both DHS and Governor Walz were invited to attend to answer questions regarding action taken by the executive branch to combat CCAP fraud, but both declined to join.

Finding: DHS officials impeded criminal investigations and reporting to the Office of Legislative Auditor (OLA)

The Committee heard testimony from Jay Swanson, the former Supervisor of the DHS Childcare Provider Investigation Unit. Swanson described the success the unit had in uncovering fraud within the CCAP program, and the extensive nature of illegal activity.

In 2017, 42 of the 50 highest paid centers had red flags for fraud. Swanson described regular credible allegations of fraud flowing into the unit, including:

- A parent benefitting from CCAP reported the center their child attended stopped paying the agreed-upon monthly kickback for the parent enrolling their child at the center.
- A co-owner of a childcare center reported he did not receive the fraudulently obtained proceeds he was entitled to from the other owner.
- A fire department attempted multiple times to conduct a fire safety inspection of a CCAP-funded child care center, but there were never staff or children present so they could not conduct the inspection.

DHS' Childcare Provider Investigation Unit would conduct professional investigations performed by their staff of seasoned former law enforcement officers. Based on tips, they would research the provider and its owners and surveil sites when credible accusations of fraud were made. From 2014- 2018, the unit worked on several high-profile CCAP fraud cases, which caught widespread public attention in the media. In 2018 the Legislature directed the OLA to investigate CCAP fraud. As part of their investigation, the OLA asked Swanson several questions about the unit's findings.

Swanson testified that senior leadership at DHS directed him to send his responses to the OLA's questions to agency leadership, rather than directly to the OLA. Swanson stated that he complied with this request, and after sending his response to agency leadership, a senior DHS official approached Swanson in his office, "angry and nearly yelling," while making demands that Swanson remove certain paragraphs from his responses. Swanson claims he told the DHS official that he believed what was being asked of him was illegal, and that he was obligated under state law to fully answer the OLA's questions.

According to Swanson, that official later informed him that the agency had sent his unredacted response to the OLA's questions, and that he was told "you better be ready for the "blank" storm

that's coming your way.” Swanson’s email to the OLA was later published in its entirety as Appendix B in the OLA’s 2019 special review of CCAP fraud allegations.¹¹

Swanson’s email to the OLA describes extensive fraud in the top paid childcare centers, the inability of DHS to prevent fraud, a criminal enterprise that utilizes recurring locations and schemes to maximize billing with all CCAP funded clients, recycling new fraudulent companies with similar owners through the system, and much more.

Swanson claims that following the OLA’s investigation, DHS leadership retaliated against and undermined the criminal investigations unit in a number of ways including:

- Hiring a consultant with no experience in fraud investigations to label the claims made by Swanson’s team as “unreliable.”
- The PFM Consulting report initially corroborated Swanson’s team’s estimate of \$100 million in fraud with their own assessment of \$105 million in CCAP fraud. However, after a DHS “review” of the report, the estimated fraud was reduced by \$33 million, which also reduced the percentage of fraudulent centers from roughly 10% to 7%, a significant decrease.
- False, derogatory information placed on supervisor performance reviews.
- Implementing a Continuous Improvement Program (CIP) for the unit that required DEI and cultural sensitivity training (thinly veiled accusations of racism against the unit). This CIP resulted in agency staff continuously demeaning the unit and filling their schedules with group meetings and assignments that took time away from investigations.
- Taking away the authority of the unit to select cases to initial investigate. Instead, the unit was now tasked with looking for “overpayments” and a new “Overpayments Committee” was formed to review “overpayment” cases and decide if payments should be recouped or if any administrative sanctions would be imposed.
- Ending case prioritization based on the amount of CCAP funds obtained, forcing the unit to investigate smaller centers less likely to be committing high levels of fraud.
- Preventing investigators from contacting BCA without permission from a DHS official and removing BCA agents from the DHS office building.

Following the alleged retaliation and sabotage of the unit, Swanson submitted his resignation in June of 2019.

Mr. Swanson stated to the Committee: *“I can’t tell you how shocked we were to come to the Department of Human Services and learn after a few years that not only was the theft of untold millions of dollars tolerated, but those who tried to stop it would be subjected to the wrath of high-ranking department officials.”*

Not long after his departure, the unit was shut down completely, with criminal investigations replaced with administrative investigations for “overpayments.” Vice Chair Anderson noted that data presented by DCYF in the hearing showed this change resulted a substantial drop in criminal referrals and a substantial increase in administrative referrals. She further noted this

¹¹ [Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Fraud Allegations, March 13, 2019.](#)

hearing was taking place on the same day the FBI was raiding 22 sites around the metro – clearly our federal partners believe criminal investigations are still warranted.

Swanson explained that while administrative sanctions have a role in public programs, eliminating the threat of prosecution emboldens criminals who will shift ownership of a fraudulent business among family members and friends if an owner faces a sanction.

CCAP and Early & Often Investigations Summary by Calendar Year								
Metric	2019	2020	2021	2022	2023	2024	2025	2026 (YTD)
Cases Opened	95	240	60	176	123	99	149	189
Cases Closed	58	210	44	140	124	99	90	30
Administrative Sanctions (Total)*	21	94	28	82	47	59	107	28
Referrals to Law Enforcement	11	0	9	4	5	4	3	5
Criminal dismissal	1	—	—	—	—	—	—	—
Criminal Conviction	2	-	1	-	-	1	-	-

Note: from “DCYF CCAP Presentation” available in committee documents.¹²

Finding: The fraud and oversight failures in CCAP under DHS transferred over to DCYF without being addressed.

The same red flags present among the top CCAP-funded childcare providers observed by Swanson and his team until 2019 are still present among current providers. Rep. Schultz brought up an example of a currently active childcare center, which was also the top CCAP recipient for 2025, according to a data request response provided to the Committee by DCYF.¹³

Per this data, the childcare center with the most CCAP funding in 2025 received \$4,177,747 for the year. With a capacity of 137 children, assuming the center maintained maximum enrollment for the entire year and every single child was eligible for CCAP, that would equate to nearly \$30,500 per child for the year. The only way this could be achieved would require the center to maintain maximum capacity for the whole year entirely with CCAP eligible children, and every child would have to be billed as an infant for the maximum weekly rate for the entire year to achieve a number close to their total reimbursements.

Swanson responded, “that was the model they were using” and went on to describe how this example fits the model of continuous growth in CCAP billing he witnessed among suspect providers. He stated that the amount of growth in billing did not surprise him.

¹² [4/28/2026 Committee Document, “DCYF CCAP Presentation.”](#)

¹³ [5/12/2026 Committee Document “CCAP Data Table.”](#)

Rep. Schultz followed up by asking: “*Did leadership lack the legal tools to stop fraud, or did they fail to use the tools that they already had?*”

Mr. Swanson: “***By mid-2017, the administration, the leadership at DHS, there was no focus on stopping CCAP fraud - the focus was on stopping the people that were investigating CCAP fraud.***”

After hearing Swanson’s testimony, Chair Robbins asked DCYF Inspector General Keys: “*Would you want to reinstate a criminal investigation unit in DCYF for childcare?*”

Inspector General Keys: “*Madam Chair, no.*” He continued to explain the agency’s stance of that administrative sanctions are important and should be completely separate from any criminal investigations, which would be handled by the Bureau of Criminal Apprehension.

Finding: The Office of Legislative Auditor Reports in 2019 failed to fully investigate the claims of Jay Swanson, enabling the agency and politicians to downplay his concerns and prevent hearings on the fraud.

Early in the Walz Administration, the Office of Legislative Auditor (OLA) issued two reports – one on reports of fraud in the CCAP program in March 2019¹⁴ and one on the failure of internal controls at DHS in the CCAP program in April 2019¹⁵.

The April report mentioned the \$100 million estimate in CCAP fraud and allegation of cash being sent overseas to fund terrorism. However, in both cases, then Legislative Auditor Jim Nobles downplayed the figures. Instead of fully investigating these assertions, Auditor Nobles simply chose to say the amount of fraud could be anywhere between the \$5-6 million prosecuted and the \$100 million figure:

OLA Report, Page 5: “*We did not find evidence to substantiate the allegation that the level of CCAP fraud in Minnesota is \$100 million annually. On the other hand, we believe the level of CCAP fraud is more than the \$5 to \$6 million that prosecutors have been able to prove, but we cannot offer a reliable estimate of how much fraud exists in the program.*”¹⁶

Based on the response to Rep. Mary Franson’s data request, we know that the consulting firm DHS had hired to investigate Mr. Swanson’s claims initially placed the fraud estimate at \$105 million. After DHS had reviewed their report, however, the consulting firm, PFM, reduced the amount by \$33.4 million.

Summary of Franson Data Request Response: “*A comparison of the original draft of the PFM report on CCAP and the final draft - produced after input was offered by DHS officials - reveals*

¹⁴ [Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Fraud Allegations, Special Review, Mar. 2019.](#)

¹⁵ [Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Internal Controls, Special Review, Apr. 10, 2019.](#)

¹⁶ [Office of the Legislative Auditor, Child Care Assistance Program: Assessment of Fraud Allegations, Special Review, Mar. 2019.](#)

some striking differences. It appears that after DHS was allowed to review the revised draft, DHS convinced PFM to downplay the amount of money going to fraudulent providers. When comparing the revised draft of the PFM Report (12/8/18) to the final version of the report (1/14/19), PFM - without explanation - has reduced by \$33.4M the total amount of CCAP funding “over the past five years” to centers that have closed as a result of or during an investigation, to a total of \$71.6M (\$105M listed in draft p4 - \$33.4M reduction = \$71.6M listed in final version p6). It follows that the proportion of program funding spent on fraudulent centers is also reduced, without explanation, in the final report when compared to the revised draft (7% vs 10%).”¹⁷

In an opinion piece in October 2025, the now retired Legislative Auditor Jim Nobles, asserted that the Walz Administration and the Legislature were at fault for not taking his reports seriously.¹⁸ He also cited a conversation with former Speaker Melissa Hortman who told him that some members of the DFL Caucus “felt that OLA reports were subjecting human service programs to too much criticism, particularly programs administered by Somali community organizations,”¹⁹ and that “House committee chairs had been instructed not to give OLA reports about fraud any public hearings.”²⁰

Whistleblowers, including Jay Swanson and Scott Stillman, who had headed up the forensic analysis lab at DHS, testified that this effort to minimize their investigative findings and end the criminal investigations caused tremendous pressure on employees and allowed CCAP fraud to continue basically unhindered.

Republican Rep. Mary Franson tried to highlight the findings and raise concerns, but she was routinely rebuffed and criticized as a “racist.”²¹ She also did an extensive data request that provided detailed information on the Dayton and Walz Administration’s efforts to cover up the allegations of fraud and work with the Minnesota Minority Childcare Association to block legislative reforms.²²

Finding: Several individuals connected to the subsequent Feeding Our Future food nutrition scam also operate CCAP funded childcare centers. DCYF still refuses to take action.

The prosecution of individuals involved in the Feeding Our Future fraud scheme has revealed that nearly all of the top food sites were fraudulent. **Among the 323 food sites sponsored by Feeding Our Future, 69 were identified by the Committee as also being CCAP-funded**

¹⁷ Responsive Data (2018.12.17 Part (1)) (Fulfills Franson’s 12/17 ask for all data related to “PFM Group Consulting, Inc.’s Work on Behalf of DHS.”) (p1734-1748)

¹⁸ [Jim Nobles, “Former Legislative Auditor: Is the Walz Administration Finally Awake About Fraud?,” Minnesota Star Tribune, Oct. 22, 2025.](#)

¹⁹ Ibid.

²⁰ Ibid.

²¹ [Anthony Gockowski, “Email Appears to Show DHS Wanted to Cut Check to Child Care Center Connected to ‘Taliban Official,’” Alpha News, Dec. 3, 2019.](#)

²² [5/5/2026 committee document “DHS Data Request 2019.”](#)

childcare centers. Among these centers, 31 still had active childcare licenses at the time of the hearing.²³

While the federal government continues to investigate the Feeding Our Future sites for possible prosecution, DCYF and DHS have opted to not use their administrative powers to prevent individuals with *known connections* to Feeding Our Future defendants from billing CCAP for the last four years.

At the time of the hearing, the most recent individual charged in Feeding Our Future scheme was Fahima Mahamud, the first childcare center operator to be charged in the scheme. Mahamud enrolled her childcare center, Future Leaders Early Learning Center, in the federal food program through Feeding Our Future.²⁴ Despite the connection to Feeding Our Future being known since the beginning of the investigation in January of 2022, and DHS assuring us they had looked at all Feeding our Future connections to other programs, both DHS and DCYF allowed Mahamud to continue billing CCAP uninhibited nearly until her arrest in 2026.

In 2023 Future Leaders Early Learning Center received \$2,451,711 in CCAP reimbursements. In 2024, the center was the top CCAP recipient in the state receiving \$3,418,825. In early 2025, the Committee recommended DCYF to investigate the top CCAP recipients, with Future Leaders Early Learning Center ranked highest on a list provided by the Committee. The agency seemingly ignored this suggestion and allowed Mahamud’s center to bill for another \$3,800,169 that year as the second highest CCAP recipient of 2025, with her access to taxpayer funds only ending shortly before her arrest.

Chair Robbins questioned the agency about their practice of permitting childcare centers with connections to Feeding Our Future to continue accessing taxpayer funds.

Chair Robbins: *“How have you reviewed these sites, what guardrails are on them? I think most Minnesotans would find that troubling.”*

DCYF Inspector General Keys responded with a broad statement describing how the agency responds to tips and information, including criminal investigations by other agencies, **but did not indicate that any of these particular providers faced any kind of additional scrutiny.**

Despite the agency insisting that their administrative approach to program integrity is as effective (or more) in stopping fraud than the use of criminal investigations, **the Committee has continued to observe federal law enforcement taking action in criminal investigations before DCYF takes administrative action against a provider.**

Similar to Fahima Mahamud, who was free to bill CCAP nearly until her arrest, three of the nine childcare centers raided by federal law enforcement the morning of the hearing were also Feeding Our Future food sites.^{25 26}

²³ See page (Insert page number of FOF table)

²⁴ [FOX 9, “Feeding Our Future: 79th person charged,” February 19, 2026.](#)

²⁵ [KSTP, “Fraud raids: The Minnesota day care and autism centers that were searched,” 5 Eyewitness News](#)

²⁶ [5/12/2026 Committee Document “Feeding Our Future Claims Summary by Site.”](#)

Finding: DCYF undermined allegations of fraud and overstated their efforts to stop fraud.

Oversight of CCAP switched from DHS to DCYF in April 2025.

On December 29th, 2025, DCYF Commissioner Tikki Brown responded to new allegations of CCAP fraud. In the video, which was played in the hearing, she attempted to rebut allegations of fraud by stating that one of the centers in question, Quality Learning Center, had permanently closed the previous week. However, that same day, the parking lot was packed, and the owner of Quality Learning Center was on camera speaking to reporters claiming the center was legitimate and active.²⁷ Commissioner Brown seemed to backtrack on her previous statement when questioned by members of the Committee.

In Committee she admitted she had been in error when she first announced that Quality Learning Center had closed. **More astonishingly, on the day of the hearing and the day the FBI was raiding the site, she stated that DCYF had not found any fraud at the Quality Learning Center and that their decision to close on January 6, 2026, was voluntary.**

As part of her comments on December 29th, Commissioner Brown also stated that all of the childcare centers facing allegations had been visited by staff and found to be operating as expected with children present. Despite DCYF finding these centers to be legitimate, the owner of another center, Fahima Mahamed, was arrested a couple months later while trying to flee the country for her role in the Feeding Our Future scheme. These facts raise serious questions about the effectiveness of the agency's site visits and whether DCYF downplayed the allegations of fraud.

In response to the law enforcement raids on several childcare centers the morning of the hearing, **DCYF issued a statement** saying, *"Today's law enforcement actions are a result of state, county, and federal agencies working together to root out fraud and hold bad actors accountable. Each plays a role in protecting taxpayer dollars and we're seeing the strength of that collaborative working relationship in action."*²⁸ **Governor Walz** also posted to social media, *"today's raids by state and federal law enforcement happened because our state agencies caught and reported it. That's how the system is supposed to work."*²⁹

In committee, Rep. Schultz pointed out a response from **FBI Director Kash Patel**, contradicting claims made by the Walz Administration about contributing to the law enforcement activities. Director Patel posted, *"this FBI and DOJ with our DHS (Department of Homeland Security) partners drafted and executed every search warrant today. But go ahead and take credit for our work while we smoke out the fraud plaguing Minnesota under your Governorship."*³⁰

²⁷ [KARE 11, "State commissioner responds to viral YouTuber video about Somali daycare fraud in Minneapolis." December 29, 2025.](#)

²⁸ [KAALTV, "Minnesota DCYF, DHS release statements applauding state and federal collaboration in day care raids," April 28, 2026.](#)

²⁹ Governor Tim Walz, X post, April 28, 2026.

³⁰ FBI Director Kash Patel, X post, April 28, 2026.

Summary:

Childcare (CCAP) fraud has been an ongoing problem in Minnesota since allegations first surfaced in 2011. In 2013 DHS formed a new criminal investigation unit under the leadership of Jay Swanson to investigate fraud as a criminal matter and make referrals for prosecution. This unit was having great success when, in mid-2017, a change in the Office of Inspector General at DHS changed the culture and commitment to fighting fraud.

Under this new leadership, the unit was undermined and pressured to suppress their findings in a report to the OLA. In the early months of the Walz Administration, the OLA issued two reports on CCAP Fraud that were quite damning.

Rather than double-down on investigating and prosecuting fraud, the new Walz Administration, under the same OIG, disbanded the criminal investigative unit, banned the BCA from DHS, and prohibited the criminal investigators from talking to their counterparts at the BCA without supervisor approval.

The criminal investigators' estimate of fraud at the time was about \$100 million, which was verified by a consulting firm (\$105 million) until DHS forced them to revise their estimate down by \$33 million. Other allegations that the money was being sent overseas to support terrorism, directly or indirectly, were also downplayed, despite two criminal convictions and forensic evidence uncovered by Scott Stillman.

It is clear that the Dayton and Walz Administrations knew about the childcare fraud and tried to cover it up. If they had been aggressive in stopping fraud in CCAP, it would not have grown into the worst fraud scandal in state history, known as Feeding Our Future.

It is clear that the Dayton and Walz Administrations knew about the childcare fraud and tried to cover it up. If they had been aggressive in stopping fraud in CCAP, it would not have grown into the worst fraud scandal in state history, known as Feeding Our Future.

Unfortunately, their malfeasance in the CCAP fraud scandal established the pattern for the other fraud scandals that would emerge by:

- Downplaying the amount and scope of fraud.
- Ignoring whistleblowers or labeling them as racist or xenophobic and retaliating against them.
- Opposing or dismantling guardrails designed to support program integrity.
- Ignoring OLA reports and obvious red flags.
- Creating a culture that rewards “compassion over compliance,” as noted by Judge Tim O’Malley in his report,³¹ and prioritizing increasing program/provider participation over fiduciary duties and program effectiveness.

³¹ [Tim O’Malley, Roadmap to Program Integrity and Fraud Prevention: Strengthening Minnesota’s Stewardship of Public Resources, Feb. 23, 2026.](#)

Feeding Our Future
Hearing Date: April 21, 2026³²

Background:

Feeding Our Future is the largest COVID-era fraud scheme in America. The story reads like a movie script, with powerful politicians enabling a \$250 million dollar scam while claiming to help feed needy children. It features Attorney General Keith Ellison caught on tape promising to help the fraudsters; Congresswoman Ilhan Omar actively promoting the waivers that led to the fraud while shooting a video at the largest fraud site; and Governor Tim Walz caught lying about a Judge's order. It also must be said that the fraud, based on evidence to date, was primarily committed by Somali Americans in their own community.

This is an important fact because failure to admit this was largely an issue in the Somali community was one of the reasons it was allowed to continue. Whistleblowers were afraid to speak up for fear of being called "racist" or "Islamophobic." Indeed, the fraudsters sued the Dept. of Education and accused them of being racist for not approving new site applications as quickly as the criminals wanted.

While we certainly should not be afraid to say this fraud scheme was mostly in the Somali community, the ringleader, Aimee Bock, was not Somali and some of our best whistleblowers have been Somali. There are many people in the community who want to stop the fraud. Both things are true and we must not shy away from the truth for political correctness or convenience.

The lessons learned from Feeding Our Future have relevance far beyond the federal school nutrition program from which it stems. Understanding the genesis and the "business model" will help us understand the broader fraud picture in Minnesota and America.

This so-called "business model" involves creating a non-profit or an LLC, signing up a large number of (often fictitious) clients, claiming that these clients were served every day regardless of actual service provision or physical capacity, and then replicating the model across multiple sites and programs.

We decided it was important to examine the Feeding Our Future scam to better understand this business model and determine what role public officials may have played in the creation of this scheme, many of whom have yet to face accountability.

Note: The Committee sent multiple invitations asking Rep. Ilhan Omar to testify so that we could ask her questions about her role in the waiver of regulations in the federal school nutrition programs (CACFP and SFSP), as well as her relationship to multiple defendants in the case. She has not answered our requests. Attorney General Keith Ellison was also invited and he publicly posted a letter declining to attend.

³² [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 4/21/26.](#)

Finding: Feeding Our Future was born out of the CCAP fraud. If the Walz Administration had not closed DHS’s criminal investigation unit for CCAP fraud, Feeding Our Future may not have happened.

As Jay Swanson testified, when the Walz Administration closed the unit doing criminal investigations of childcare (CCAP) fraud, they removed the deterrent. Criminals were not afraid of administrative sanctions – they could simply open up a new daycare under a different name/owner and keep billing the state.

The group that formed to lobby against strong internal controls in the CCAP program was the Minnesota Minority Child Care Association (MMCCA) They were politically connected. Their lobbyist was a former Congressional staffer for Keith Ellison before he became Attorney General, and they had a great deal of influence in the clan-based Somali community. At least two of the leaders of MMCCA were later charged in the Feeding Our Future case.

This group, who laid the groundwork politically for the CCAP fraud, took advantage of the new “business opportunity” to establish meal sites during COVID and realized that this was, in fact, much easier. Rather than billing for 100 or 200 kids in a childcare center, they could bill for thousands of meals every day, and no one would attempt to verify.

The failure to stop CCAP Fraud lead directly to the explosion of fraud that followed – not only in Feeding our Future, but in other Medicaid-funded programs as described in this report.

Finding: Feeding our Future created the template and business model for the large-scale fraud schemes that have plagued Minnesota since 2020.

Feeding Our Future (FOF) was a Minnesota nonprofit that served as a site sponsor for federal meal programs like the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP), submitting reimbursement claims through the Minnesota Department of Education. The organization was founded in 2016 by Aimee Bock following her employment with a similar site sponsor for federal meal programs, Partners in Nutrition.

During the COVID-19 pandemic, the organization expanded rapidly, overseeing hundreds of meal sites and claiming tens of millions of dollars per month, far more than other sponsors throughout the state. This growth should have raised concerns about the oversight and accuracy of its claims, but the Minnesota Department of Education raised no significant concerns, and continuously funded FOF’s claims.

Before the pandemic, these programs had some built-in controls that naturally limited abuse to some extent. Meals typically had to be consumed on-site at a school or non-profit, participation was tied to the student’s physical presence, and oversight relied in part on site visits and direct observation.

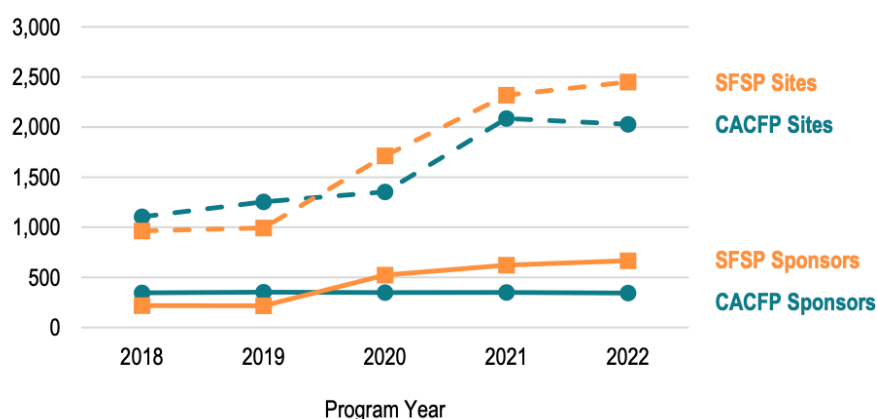
During the pandemic, with the March 2020 passage of Rep. Ilhan Omar’s MEALS Act in the Families First Coronavirus Response Act, most of those safeguards were waived, ostensibly to ensure children could still access food while schools and community programs were disrupted.

Rep. Omar’s MEALS Act allowed meals to be distributed as “grab-and-go,” or taken off-site, and in some cases provided in bulk. States could also remove income eligibility and allow a broader range of organizations, including restaurants, to participate.

These changes had a major operational impact, including shifting the system further toward self-reported data. Instead of verifying meals through physical attendance, the system relied even more heavily on paperwork, meal counts, rosters, and invoices submitted by sponsors, sites and food vendors. To make matters worse, the state largely abandoned in-person site visits during the COVID pandemic.

In 2022, federal prosecutors charged dozens of individuals connected to Feeding Our Future in a large-scale fraud scheme involving false meal claims and misuse of funds. To date, federal prosecutors have indicted 79 defendants for stealing more than \$250 million dollars, making it the largest pandemic-related fraud case in the country.

More sites and sponsors began participating in CACFP and SFSP around the start of the COVID-19 pandemic.



Note: From OLA Special Review, “Minnesota Department of Education: Oversight of Feeding Our Future.”

Finding: Representative Ilhan Omar played a critical role in creating the conditions for fraud in the federal nutrition programs by passing the MEALS Act, which took the guardrails off the program, including allowing restaurants to become meal sites.

Rep. Ilhan Omar’s MEALS Act (H.R. 6187)³³ was enacted as part of the larger Families First Coronavirus Response Act (H.R. 6201) in March 2020. The MEALS Act allowed states to use waivers for extra flexibility during COVID. These waivers were originally set to expire on August 31, 2020.

The United States Department of Agriculture (USDA), which administers the program at the federal level, claimed they did not have the authority to extend the waivers. But in September,

³³ [Office of Rep. Ilhan Omar, “Representative Omar Introduces Bill to Protect Access to School Meals During School Closures,” Mar. 11, 2020.](#)

2020, Rep. Omar and other Members of Congress urged USDA to extend the waivers, arguing that the Families First Coronavirus Response bill authorized them to do so.³⁴ The following month, a Continuing Resolution (CR) was passed that extended the waivers. Most of the waivers later expired during 2022.

Timeline of Key Events:

- **March 2020:** Congress passes Rep. Omar proposal to create waivers in federal school nutrition programs
- **2020–2021 school years:** Full flexibility extended by Rep. Omar and Congress
- **November 20, 2020:** Feeding Our Future sues MN Dept. of Education (MDE)
- **December 11, 2021:** AG Ellison meets with Feeding Our Future fraudsters about MDE
- **January 2022:** First FBI raids in Feeding Our Future Case
- **Spring 2022:** Congress declines to extend most broad waivers
- **June 30, 2022 -- Most nationwide waivers expire, including the end of:**
 - Off-site (“grab-and-go”) meal flexibility
 - Universal free meals in many settings
 - Reduced monitoring requirements
 - Restaurant/for-profit participation
- **September 20, 2022:** US Attorney’s Office announces first FOF indictments
- **September 26, 2022:** AG Ellison’s Office issues press release claiming they had been “deeply involved” in the FOF investigation for two years and that they had “jump-started” the federal investigation³⁵

During the waiver period, which saw a steep decline in program oversight, multiple individuals connected to Rep. Omar enriched themselves by defrauding the federal school nutrition programs.

Due to Rep. Omar’s failure to attend the hearing, despite multiple invitations, the Committee played a video in which she said, in her own words, how successful the MEALS Act had been. The video, which was made for Somali TV, was filmed at the Safari Restaurant and promoted the restaurant as a meal site.

Safari Restaurant had the highest reimbursements of all of the food sites in the Feeding Our Future program, receiving over \$12 million in reimbursements. A transcription of Rep. Omar’s comments, translated from the original Somali in the video, is shown below:

Rep. Omar: *“We got a chance to create a law called the MEALS Act that makes it easy in this time of a pandemic for those kids who aren’t in school, who are at home, don’t starve. So their families could get a chance to get food and go to those places where food is being given out. So I’m very thankful for Safari for being part of those places where food is being given out. Also, for making food every day and helping those kid’s families in need of food. Each day, Safari gives*

³⁴ [Office of Rep. Ilhan Omar, “Rep. Omar Statement on Extension of MEALS Act Provisions,” Sept. 26, 2020.](#)

³⁵ [Minnesota Attorney General’s Office, “For Two Years, Attorney General Ellison’s Office Has Held Feeding Our Future Accountable.” Sept. 26, 2022.](#)

*out 2,300 families and kids meals. That's a very important thing. A lot of kids live in hunger in this country, or their families don't have a way to feed them. So, for them to be able to find lunch is good especially in this month of Ramadan where a lot of families don't have jobs, who don't have any other source of income. For them not to worry about how they'll feed their kids is important. So, I'll thank places like Safari and those who came to volunteer for those families in need."*³⁶

In addition to creating the conditions for fraud and having filmed a video at Safari Restaurant, Rep. Omar had a number of direct ties with the Feeding Our Future case:

- Her former staffer, Guhaad Hashi Said, is one of the convicted defendants;³⁷
- She received campaign donations (later returned) from several of the defendants:
 - Abdihakim Ali Ahmed
 - Abdikadir Ainanshe Mohamud
 - Ahmed Abdullahi Ghedi
 - Guled Buraale
 - Abdirahman Mohamud Ahmed
 - Sade Osman Hashi
 - Mahad Ibrahim
 - Guhaad Hashi Said
- She held her 2018 election party at Safari Restaurant;³⁸
- Several communications between Rep. Omar's official office and staff and defendants in the case were listed among the trial exhibits in the case *US v. Bock*.³⁹

Finding: Despite Governor Walz's initial claim to the contrary, it is highly likely that the Minnesota Dept. of Education (MDE) decided to continue Feeding our Future in April of 2021 despite significant evidence of fraud.

In a 2024 report, the Minnesota Office of the Legislative Auditor (OLA) found that the Minnesota Department of Education (MDE) provided inadequate oversight of Feeding Our Future, which created opportunities for fraud to occur and expand.⁴⁰ The report concluded that both MDE's actions and inactions contributed to the conditions that allowed the scheme to grow, especially during the rapid expansion of federal nutrition programs in the COVID-19 period.

The audit determined that MDE had received multiple warning signs for years, including complaints, prior compliance issues, and unusually large growth in meal claims. Despite these red flags, the department continued approving applications and reimbursements tied to Feeding Our Future and its network. MDE often relied on information provided by the organization rather than independently verifying claims or escalating enforcement actions.

³⁶ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 4/21/26.](#)

³⁷ [MSN, "Ilhan Omar Staffer Pleads Guilty in Fraud Case,"](#) accessed May 10, 2026.

³⁸ [Bill Glahn, "History Between Ilhan Omar and Safari Restaurant Goes Back Years," Center of the American Experiment, Feb. 3, 2022.](#)

³⁹ [5/5/2026 Committee Document "Legislative Subpoena."](#)

⁴⁰ [Office of the Legislative Auditor, Minnesota Department of Education: Oversight of Feeding Our Future, Special Review, June 13, 2024.](#)

A central issue in the report is MDE's claim that it lacked authority to stop payments. MDE argued that federal rules, along with ongoing litigation from Feeding Our Future, limited its ability to deny or delay reimbursements. The Department had been sued by Feeding Our Future for what they perceived as failure to process new site applications in a timely manner, citing racism as one of the factors. In April 2021, a court order required MDE to resume processing applications for meal sites, but never required them to resume payments.

The judge who ruled in this case directly contradicted claims by Gov. Walz and the MDE commissioner who attempted to deflect accountability by saying that the court had ordered MDE to resume payments.

In a highly unusual public statement about a case, Judge Guthmann's press release stated: "*As the public court record and Judge Guthmann's orders make plain, Judge Guthmann never issued an order requiring the MN Department of Education to resume food reimbursement payments to FOF. The Department of Education voluntarily resumed payments and informed the court that FOF resolved the "serious deficiencies" that prompted it to suspend payments temporarily. All of the MN Department of Education food reimbursement payments to FOF were made voluntarily, without any court order.*"⁴¹

The OLA concluded that MDE could have taken earlier and stronger actions such as:

- increasing scrutiny of high-risk sites
- conducting more aggressive monitoring
- placing conditions on participation, or
- escalating enforcement earlier

The OLA emphasized that MDE did not fully use the oversight tools available to the agency.⁴²

At the Committee's hearing on Feeding Our Future, the Committee tried to ascertain who made the decision to continue payments to Feeding Our Future, despite clear indicators of fraud. In what we can conclude was a decision to evade answering that question, MDE sent a representative to the Committee who was not employed by the Department during the period in question. This decision led to the following:

Rep. Schultz: "*It is difficult given that the agencies, the Attorney General who is representing the agencies, didn't send us people here today to share what happened. They are sending us someone who came onboard in 2024 for things that happened in 2021. That's the attorney who represented the agency, it is the agency staff themselves not here today. Frankly, this is an example of the Executive Branch standing in the way of the Legislative Branch and the oversight responsibilities we duly have.*"

⁴¹ [Minnesota Judicial Branch, "Feeding Our Future v. Minnesota Department of Education: Correcting Media Reports and Statements by Governor Tim Walz Concerning Orders Issued by the Court," Sept. 23, 2022.](#)

⁴² [Office of the Legislative Auditor, Minnesota Department of Education: Oversight of Feeding Our Future, Special Review, June 13, 2024.](#)

Rep. Schultz and other members of the Committee proceeded to ask several questions of MDE Deputy Commissioner Hulden, who joined the agency in 2024 and had been sent by the agency to testify.

Rep. Schultz: *“Who made the decision?”*

Deputy Commissioner Hulden: *“MDE made the decision to stop the payments. Like I said, Judge Guthmann indicated that he did not believe we had the authority to do stop payments and welcomed a procedural move by FOF to get the issue in front of him so he could address it directly.”*

Chair Robbins: *“The Governor at the time said that the judge had ordered them to stop payments and the judge issued a very rare statement saying that is not what he said. I just want that to be clear for the public that the judge did not order the stop payments.”*

Rep. Schultz: *“That’s why it’s important to know who made the decision. At the end of the day, as Minnesotans seek accountability, we need to know who made the decision. Was it the Governor himself who decided for these payments to continue amidst these fraud allegations? We have yet to get that answer and were sent people who weren’t even there when it happened.”*

Rep. Anderson: *“MDE would never make a decision like that without contacting and getting complete clarity from the Governor’s office, at least in every administration I know. I have a copy of the stipulation agreement. They went to court ultimately over this, that they (FOF) weren’t doing what they said they would do within the stipulation agreement. Do you know who helped negotiate this (the stipulation agreement)? Was it the Attorney General’s office?”*

Deputy Commissioner Hulden: *“If there is a legal matter that were engaged in, that’s involved in litigation, The AG’s office serves as our council.”*

Rep. Anderson: *“I assumed that, was that (continuing payments to FOF) at the advice of the Attorney General?”*

Deputy Commissioner Hulden: *“This is not going to be a satisfactory answer, but how certain decisions about litigation are made between counsel and a client are subject to attorney-client privilege. So the kinds of ins and outs, A. I wasn’t there, but B. I wouldn’t be able to get into it.”*

Chair Robbins: *“I’m sorry, that is not true. Just for the record, MDE has the authority to waive the privilege. The privilege is yours to waive. The Attorney General cannot waive the privilege, you may waive the privilege, and back on September 27th of 2022, then-Leader Kurt Daudt called on MDE to waive the privilege so we could get answers to these questions back then. You cannot hide behind attorney-client privilege in this hearing. You can waive the privilege at any point.”*

Despite the Committee’s efforts, the Walz Administration continues to refuse to answer the direct question of who decided to continue paying Feeding Our Future. Based on this refusal, we can only conclude that the decision was made by Executive Branch officials still in office today.

Finding: Attorney General Keith Ellison has made contradictory statements about his role in the Feeding Our Future case. Although he testified before the Committee in April 2025, he declined to testify in 2026, thus failing to provide transparency and accountability for his conflicting statements.

On September of 2022, when the first indictments were announced by the US Attorney in the Feeding Our Future case, AG Ellison issued a press release to try to take credit for playing a significant role in the federal investigations and indictments.⁴³

AG Ellison Press Release: *“Minnesota Attorney General Keith Ellison and his office have been deeply involved for two years in holding Feeding Our Future accountable. The Attorney General’s Office worked closely with the Minnesota Department of Education as they provided suspicions of fraud and other evidence and information to the FBI, which directly led to the federal investigation and indictments of Feeding Our Future and its founder Aimee Bock. Without the Attorney General’s involvement alongside MDE in flagging that fraud and turning it over to the criminal investigative power of the federal government, there would likely have been no federal investigation or indictments....”*

*MDE and Attorney General Ellison’s office brought their suspicions of fraud to the FBI and fully cooperated with the investigation that **they jump-started** (bold added)..”⁴⁴*

This statement contradicts his statements made to Feeding Our Future fraudsters in a meeting he had with them on December 11, 2021, and also contradicts his testimony before our Committee on April 28, 2025.⁴⁵

Feeding Our Future had sued the Minnesota Department of Education on November 20, 2020, accusing the Department of racism for failing to approve its meal site applications fast enough. As was confirmed by MDE in our hearing on April 21, 2026, AG Ellison’s office was defending MDE in this lawsuit, so he would have certainly been aware of it by the time he met with the Feeding Our Future fraudsters over a year later.

We held a hearing on April 28, 2025 to investigate an audio recording of a meeting between AG Ellison and several people involved in Feeding Our Future on December 11, 2021, just weeks before the FBI raids made the investigation of Feeding Our Future public.

At our that hearing, AG Ellison claimed he only “learned of the FBI’s involvement” in investigating Feeding Our Future after he returned to his office after the December 11, 2021

⁴³ [Minnesota Attorney General’s Office, “For Two Years, Attorney General Ellison’s Office Has Held Feeding Our Future Accountable,” Sept. 26, 2022.](#)

⁴⁴ Ibid.

⁴⁵ [Minnesota House Fraud Prevention and State Agency Oversight Policy Committee, presentation of the Attorney General’s Office, testimony of Attorney General Keith Ellison, Apr. 28, 2025.](#)

meeting and was briefed by his staff.⁴⁶ This directly contradicts the press release he issued in September, 2022, where he claimed he had been “deeply involved” for two years.⁴⁷

In the audio recording from the December 11, 2021 meeting,⁴⁸ **AG Ellison also claimed he was unaware of the issues being raised by the fraudsters, including that MDE was not approving site sponsorships and attempting to withhold payments in some cases. This was either a lie or shocking ignorance** – as Attorney General, he and his office had been defending MDE against Feeding Our Future since they first filed their lawsuit against the Department back in November, 2020 – more than a year earlier.

According to a report,⁴⁹ “At 30:38, Ellison interrupts, saying, “This is the first I’m really hearing about it.” At 37:08, Ellison says, “This has not come to my attention until now.”

These private statements in December 2021 completely contradict his September 2022 press release and his office’s on-going defense of the Dept. of Education.

Despite serving as Defense Counsel to MDE in the lawsuit since November 2020, when he met with the fraudsters who were suing his client, MDE, in December 2021, Attorney General Ellison said to the fraudsters, “let’s go fight these people,” meaning his own client.⁵⁰

Clearly, the Committee had questions for Attorney General Ellison about these contradictory statements and the Committee expressed frustration that he declined to attend the hearing. **It defies reason that he could be representing MDE in a lawsuit against the Department by Feeding Our Future and then pretend to have no knowledge of the case when he meets with them privately, against the interests of his client, months later.**

Minnesotans demand and deserve transparency and accountability from elected officials.

Finding: AG Ellison has not pursued all of the civil remedies available to hold fraudsters accountable and recover taxpayer dollars.

Despite claiming in his letter declining to attend our hearing in April 2026 that he had no prosecutorial power in the Feeding Our Future case, later in the same letter he states that he had a prior commitment: *“a trial that is beginning tomorrow, April 21 — the very day of the hearing at which you have invited me to testify — my office is beginning a civil trial against Emadeldin Ibrahim, who we allege defrauded the State by claiming to provide meals to children in 2020*

⁴⁶ [Minnesota House Fraud Prevention and State Agency Oversight Policy Committee, presentation of the Attorney General’s Office, testimony of Attorney General Keith Ellison, Apr. 28, 2025, 18:31](#)

⁴⁷ [Minnesota Attorney General’s Office, “For Two Years, Attorney General Ellison’s Office Has Held Feeding Our Future Accountable,” Sept. 26, 2022.](#)

⁴⁸ https://files.americanexperiment.org/wp-content/uploads/2025/04/D1-710-2021.12.11-Keith-Ellison-New_Recording_37.m4a?v=1744144670&_gl=1*yx3ylx*_gcl_au*MTUxMzU1NDE5Ny4xNzc4NDYxMDE2

⁴⁹ [Bill Glahn, “Keith Ellison Caught on Tape in Recording of Conversation with Feeding Our Future Figures,” Alpha News, Apr. 9, 2025.](#)

⁵⁰ [Bill Glahn, “Feeding Our Future: Keith Ellison Caught on Tape!,” Center of the American Experiment, Apr. 9, 2025.](#)

that we will prove he did not. This is a civil trial under the False Claims Act, not a criminal trial.”

The Attorney General’s ability to pursue civil action against fraudsters is exactly what the Committee was interested in learning about. **The key question is why didn’t Attorney General Ellison use that same civil authority to go after Partners in Nutrition (PIN) aka Partners in Quality Care (PIQC), Feeding Our Future, or Gar Gaar Family Services aka Youth Leadership Academy – all site sponsors in the food nutrition scandal.**

Gar Gaar Family Services, which has been accused of defrauding taxpayers of \$23 million, was “dissolved” by the AG’s Office, but the assets were required to be transferred to another non-profit. Parter in Nutrition (PIN), which bilked taxpayers for \$250 million – as much as Feeding Our Future - was not dissolved, but merely prohibited from future participation in federal nutrition programs. Even if criminal charges have not been filed against these entities, why were civil remedies not pursued?

When we first posed these questions to AG Ellison in our April 28, 2025 hearing, he and his staff declined to provide details on these cases.⁵¹ The Committee had intended to press for additional details but could not as AG Ellison declined to attend the 2026 hearing.

The Committee heard testimony from Bill Glahn, a Policy Fellow with the Center of the American Experiment, who has extensively tracked and covered fraud in Minnesota. Mr. Glahn explained that the Attorney General’s office has taken minimal action against the criminals in the Feeding Our Future scheme:

Mr. Glahn: *“I can’t find another example where the Attorney General has sued a food vendor for misspending or misappropriating, but clearly he has the power to civilly go after vendors for recovery of dollars that were taken out of the food program.”*

Due to Attorney General Ellison’s absence, the Committee was unable to further question actions taken by his office to hold fraudsters accountable or reclaim stolen public funds.

Finding: Individuals affiliated with Feeding Our Future continue to federal receive payments for CCAP services:

The federal prosecution of individuals involved in the Feeding Our Future fraud scheme has revealed that nearly all of the top food sites in the program were fraudulent. While a large number of food site operators have already been charged, many more are likely still under investigation, and many of them continue to bill the government for other services in the meantime.

The Committee analyzed the 323 food sites sponsored by Feeding Our Future and focused in on taxpayer-funded child care centers. Of the Feeding Our Future food sites, the Committee identified 69 licensed childcare centers that have billed Minnesota for CCAP. 31 of these

⁵¹ [Minnesota House Fraud Prevention and State Agency Oversight Policy Committee, presentation of the Attorney General’s Office, testimony of Attorney General Keith Ellison, Apr. 28, 2025.](#)

daycares continue to remain licensed and eligible to receive state money at the time of the hearing.

Summary:

Feeding our Future is not only the nation's largest COVID-era fraud scheme, but it also exposed the mismanagement and negligence of Minnesota's political elite. At least three leading Minnesota politicians, Governor Tim Walz, Attorney General Keith Ellison, and Representative Ilhan Omar played critical roles in creating and enabling the Feeding our Future fraud scheme.

Their negligence and, at times, outright support for the fraudsters, created a permission structure for future wrongdoers. The result was a climate where a fraud expanded exponentially and Minnesotans will paying for this malfeasance for a generation.

Next Page: CCAP funded Feeding Our Future food sites.

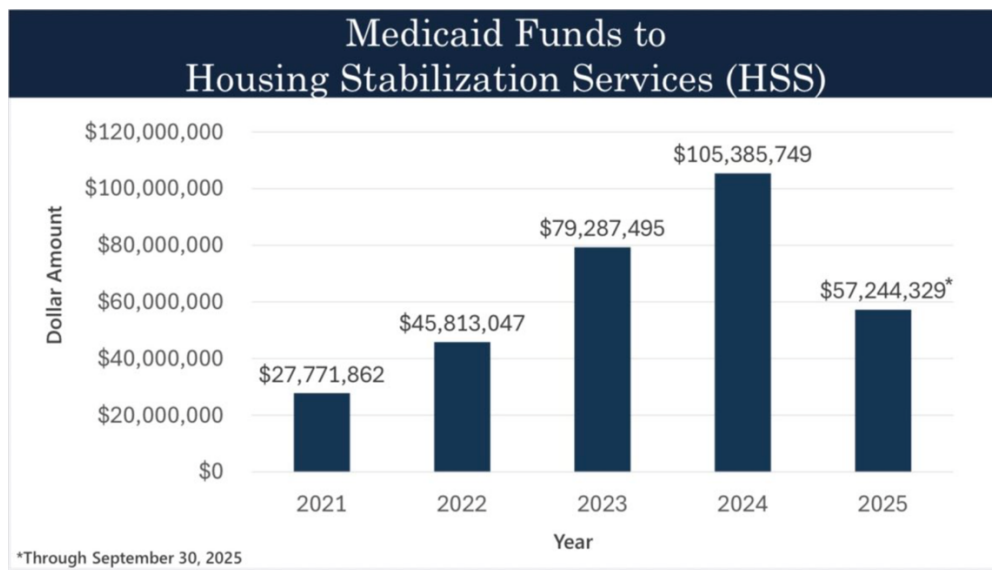
Site Name	FOF 2018	FOF 2020	FOF 2021	FOF 2022	Grand Total	Status	Open Date	Close Date	CCAP2018	CCAP2019	CCAP2020	CCAP2021	CCAP2022	CCAP2023	CCAP2024	CCAP2025	
St Paul Medina Academy	\$0.00	\$79,183.57	\$533,045.55	\$1,937,107.19	\$1,890,306.31	Closed	9/19/2016	8/8/2022	\$ 772,860	\$ 1,016,351	\$ 800,381	\$ -	\$ -	\$ -	\$ -	\$ -	
Minnesota Best Childcare Center (17th Ave)	\$66,919.60	\$186,030.68	\$145,542.72	\$1,110,397.09	\$1,510,885.64	Active	2/12/2017	-	\$ 1,252,560	\$ 2,296,365	\$ 1,901,989	\$ 1,742,749	\$ 1,862,043	\$ 1,918,980	\$ 3,024,807	\$ 4,177,147	
Marx Childcare Center Inc	\$0.00	\$179,495.52	\$235,952.92	\$1,106,714.42	\$1,500,962.96	Closed	6/19/2017	5/16/2022	\$ 1,247,079	\$ 1,337,975	\$ 1,173,975	\$ 896,854	\$ 793,146	\$ -	\$ -	\$ -	
Star Learning Center, Inc	\$32,775.72	\$173,831.67	\$674,778.03	\$472,820.60	\$1,353,262.92	Active	4/13/2017	-	\$ 1,400,088	\$ 1,423,165	\$ 1,173,151	\$ 1,175,411	\$ 1,343,599	\$ 1,238,093	\$ 1,685,292	\$ 1,918,587	
Bright Future Academy Corp	\$0.00	\$0.00	\$32,432.56	\$1,249,488.43	\$1,281,920.99	Active	4/13/2020	-	\$ -	\$ -	\$ -	\$ 280,446	\$ 186,623	\$ 154,787	\$ 124,228	\$ 265,984	\$ 271,484
All Smiles Daycare Center, Inc	\$0.00	\$0.00	\$719,824.69	\$410,643.77	\$1,130,468.46	Active	5/13/2020	-	\$ -	\$ -	\$ -	\$ 1,823,983	\$ 1,823,178	\$ 1,823,178	\$ 1,823,178	\$ 1,823,178	\$ 1,823,178
Future Leaders Early Learning Center, Inc	\$49,008.57	\$125,174.94	\$124,853.16	\$765,122.68	\$1,046,159.35	Closed	1/29/2016	1/24/2025	\$ 1,918,091	\$ 1,823,968	\$ 1,723,394	\$ 1,328,178	\$ 1,328,178	\$ 2,451,711	\$ 3,418,825	\$ 3,800,169	
Creative Minds	\$0.00	\$114,509.26	\$40,856.78	\$891,452.51	\$1,066,216.37	Closed	5/21/2018	10/12/2025	\$ 389,927	\$ 1,321,320	\$ 1,078,511	\$ 857,953	\$ 1,406,308	\$ 1,617,393	\$ 2,261,229	\$ 2,310,621	
Urban Learning Center	\$0.00	\$64,056.52	\$85,347.24	\$767,621.65	\$917,025.41	Closed	10/31/2017	6/29/2022	\$ 921,057	\$ 1,008,696	\$ 945,526	\$ 973,016	\$ 521,922	\$ -	\$ -	\$ -	
Happy Child Care Center	\$0.00	\$35,720.00	\$55,076.63	\$819,445.48	\$910,244.11	Closed	2/28/2019	2/22/2024	\$ -	\$ 407,059	\$ 610,843	\$ 676,963	\$ 988,111	\$ 818,512	\$ -	\$ -	
Urban Child Care Center, Inc.	\$0.00	\$141,027.24	\$383,415.89	\$585,035.27	\$851,559.50	Closed	7/17/2013	7/27/2022	\$ 1,999,171	\$ 1,289,161	\$ 1,289,161	\$ 1,003,734	\$ 901,069	\$ 1,156,699	\$ -	\$ -	
Early Success Child Care Inc *	\$0.00	\$60,926.72	\$422,353.14	\$348,779.48	\$825,255.63	Active	12/11/2016	4/20/2023	\$ -	\$ 512,933	\$ 786,029	\$ 1,003,734	\$ 950,368	\$ 932,418	\$ 1,487,085	\$ 1,690,294	
Bright Minds Child Care, Inc	\$0.00	\$129,425.94	\$419,161.87	\$276,667.82	\$825,255.63	Active	7/22/2016	-	\$ 706,608	\$ 900,713	\$ 792,228	\$ 349,636	\$ 955,328	\$ 932,418	\$ 1,487,085	\$ 1,690,294	
Original Child Care Center Inc (The)	\$0.00	\$312,788.86	\$312,788.86	\$414,522.95	\$727,251.31	Active	8/19/2016	-	\$ 836,436	\$ 772,743	\$ 1,011,743	\$ 1,068,740	\$ 809,350	\$ 915,510	\$ 948,177	\$ 1,510,200	\$ 1,821,616
Fahy Child Care Center, Inc	\$0.00	\$48,323.91	\$316,900.90	\$371,030.56	\$727,251.31	Active	8/19/2016	-	\$ 1,103,610	\$ 1,011,743	\$ 1,068,740	\$ 809,350	\$ 915,510	\$ 948,177	\$ 1,510,200	\$ 1,821,616	
Success Child Care Inc	\$4,988.08	\$79,791.69	\$301,032.78	\$318,885.24	\$704,397.77	Active	9/24/2018	-	\$ -	\$ 864,961	\$ 1,258,336	\$ 714,882	\$ 872,261	\$ 858,085	\$ 1,419,791	\$ 2,014,754	
Heaven Childcare Inc	\$0.00	\$272,721.54	\$409,355.94	\$409,355.94	\$682,077.48	Active	3/23/2020	-	\$ -	\$ -	\$ 126,129	\$ 294,144	\$ 468,521	\$ 502,217	\$ 472,744	\$ 890,730	
Educare Kids Montessori & Child Care LLC	\$0.00	\$239,094.39	\$418,228.24	\$418,228.24	\$657,422.63	Closed	1/17/2014	4/15/2023	\$ 905,905	\$ 821,008	\$ 683,412	\$ 264,102	\$ 158,473	\$ 146,038	\$ -	\$ -	
Angels Fun Area LLC	\$17,861.85	\$164,357.57	\$151,218.75	\$276,750.52	\$610,188.69	Closed	1/12/2017	9/2/2023	\$ 1,510,376	\$ 1,606,670	\$ 1,606,670	\$ 2,142,814	\$ 2,271,592	\$ 1,882,023	\$ -	\$ -	
Diversity Childcare Inc *	\$0.00	\$9,375.72	\$255,401.84	\$300,677.01	\$565,454.57	Closed	1/18/2019	9/2/2024	\$ -	\$ -	\$ 949,510	\$ 737,065	\$ 444,724	\$ 603,033	\$ 621,782	\$ -	
Excellent Child Care Center	\$11,954.00	\$57,810.91	\$44,432.38	\$406,012.33	\$520,409.62	Closed	8/8/2016	12/31/2021	\$ 991,336	\$ 757,642	\$ 554,495	\$ 294,901	\$ -	\$ -	\$ -	\$ -	
Sunshine Child Care Center	\$16,467.27	\$37,135.58	\$61,478.33	\$409,060.59	\$519,741.77	Closed	8/18/2011	7/16/2024	\$ 711,066	\$ 480,744	\$ 884,236	\$ 1,102,465	\$ 1,432,854	\$ 2,413,489	\$ 3,192,004	\$ 4,178,636	
Midtown Childcare Center Inc	\$0.00	\$27,018.61	\$89,084.03	\$393,824.61	\$509,927.25	Active	8/3/2018	-	\$ -	\$ 301,044	\$ 984,236	\$ 1,102,465	\$ 1,432,854	\$ 2,413,489	\$ 3,192,004	\$ 4,178,636	
Quality Learning Center	\$0.00	\$35,717.87	\$163,215.82	\$309,983.75	\$508,917.44	Closed	10/17/2017	1/6/2026	\$ 1,028,063	\$ 1,521,528	\$ 1,124,721	\$ 1,361,054	\$ 1,433,733	\$ 1,210,794	\$ 1,730,115	\$ 2,150,964	
Cedar Child Care Center, Inc	\$0.00	\$32,721.14	\$211,042.53	\$261,156.01	\$504,919.68	Active	7/26/2017	-	\$ 455,520	\$ 814,236	\$ 812,742	\$ 792,902	\$ 796,345	\$ 821,704	\$ 844,520	\$ 2,024,285	
Broadway Child Care Center, Inc	\$20,017.13	\$74,611.59	\$142,106.82	\$259,958.19	\$496,693.73	Closed	5/23/2016	3/1/2022	\$ 2,000,613	\$ 1,455,668	\$ 1,396,423	\$ 1,816,096	\$ -	\$ -	\$ -	\$ -	
Sunshine Child Care Center, Inc	\$0.00	\$288,205.29	\$214,769.91	\$214,769.91	\$490,431.15	Closed	3/27/2018	3/21/2022	\$ 563,137	\$ 1,108,034	\$ 946,688	\$ 830,301	\$ 195,581	\$ -	\$ -	\$ -	
First Daycare Center *	\$0.00	\$69,389.49	\$354,083.49	\$424,252.71	\$425,252.71	Closed	12/21/2015	12/31/2021	\$ 1,412,754	\$ 1,788,837	\$ 1,821,419	\$ 1,557,542	\$ -	\$ -	\$ -	\$ -	
City Child Care Center	\$0.00	\$14,011.79	\$49,060.98	\$394,677.03	\$425,252.71	Active	8/17/2019	-	\$ -	\$ 1,718,602	\$ 1,332,795	\$ 1,396,171	\$ 1,448,382	\$ 1,479,816	\$ 1,486,004	\$ 1,850,150	
Active Child Care Center, Inc.	\$0.00	\$137,268.15	\$160,942.00	\$394,677.03	\$394,677.03	Active	9/24/2018	-	\$ -	\$ 532,562	\$ 578,379	\$ 465,382	\$ 634,676	\$ 849,215	\$ 1,505,402	\$ 1,602,334	
Yusra Childcare	\$0.00	\$33,441.81	\$357,552.58	\$390,994.39	\$390,994.39	Closed	5/4/2018	2/7/2022	\$ 305,618	\$ 165,863	\$ 567,074	\$ 507,717	\$ 647,015	\$ 768,931	\$ 1,049,142	\$ 1,204,203	
ABC Learning Center Inc	\$0.00	\$17,115.00	\$12,982.28	\$344,715.43	\$374,812.71	Active	4/1/2019	-	\$ -	\$ 659,923	\$ 249,753	\$ 532,435	\$ -	\$ -	\$ -	\$ -	
United Child Daycare LLC	\$0.00	\$35,432.29	\$27,405.60	\$278,035.60	\$340,873.40	Closed	12/15/2014	5/12/2025	\$ 681,985	\$ 479,859	\$ 431,912	\$ 419,644	\$ 301,462	\$ 281,298	\$ 194,933	\$ -	
Lucky Child Care Center *	\$0.00	\$59,858.97	\$61,992.85	\$214,051.63	\$335,863.45	Closed	10/18/2013	12/17/2025	\$ 793,449	\$ 789,002	\$ 579,901	\$ 477,660	\$ 549,527	\$ 490,836	\$ 609,668	\$ 600,788	
Mail Child Care Academy Corp	\$7,438.02	\$29,946.57	\$10,655.61	\$269,752.90	\$317,793.10	Conditional	6/27/2018	-	\$ 1,039,040	\$ 765,913	\$ 404,947	\$ 236,542	\$ 498,536	\$ 605,523	\$ 677,798	\$ 778,720	
Tayo Daycare Inc	\$0.00	\$0.00	\$299,801.42	\$299,801.42	\$299,801.42	Active	1/7/2019	-	\$ 1,999,024	\$ 1,441,072	\$ 1,062,474	\$ 927,060	\$ 1,183,572	\$ 1,124,163	\$ 1,090,581	\$ 1,604,919	
Bright Star Child Care Center	\$0.00	\$0.00	\$288,331.68	\$288,331.68	\$288,331.68	Active	10/7/2020	-	\$ -	\$ -	\$ -	\$ 186,623	\$ 154,787	\$ 124,228	\$ 265,984	\$ 271,484	
Bright Future Academy Corp- St Paul	\$0.00	\$0.00	\$261,488.16	\$261,488.16	\$261,488.16	Active	4/13/2020	-	\$ -	\$ -	\$ -	\$ 860,016	\$ 870,630	\$ -	\$ -	\$ -	
Hope Day Care LLC	\$0.00	\$0.00	\$249,680.56	\$249,680.56	\$249,680.56	Active	1/1/2017	10/24/2022	\$ 1,298,232	\$ 1,277,764	\$ 1,090,871	\$ 860,016	\$ 781,630	\$ -	\$ -	\$ -	
Perfect Balance Child Care	\$0.00	\$40,500.00	\$72,589.25	\$246,655.28	\$246,655.28	Pending	7/31/2014	-	\$ 1,870,034	\$ 1,723,256	\$ 1,564,909	\$ 1,589,433	\$ 1,761,201	\$ 2,374,546	\$ 2,996,873	\$ 2,282,652	
Dakota Learning Center, Inc.	\$0.00	\$235,485.45	\$235,485.45	\$235,485.45	\$235,485.45	Active	10/21/2015	-	\$ 860,166	\$ 997,240	\$ 854,559	\$ 782,413	\$ 844,623	\$ 1,166,309	\$ 1,489,759	\$ 1,798,829	
Kids Care Center, Inc.	\$0.00	\$12,640.50	\$42,295.40	\$177,579.99	\$232,515.89	Closed	2/19/2018	8/1/2025	\$ 547,441	\$ 424,663	\$ 547,441	\$ 532,085	\$ 599,967	\$ 613,008	\$ 655,282	\$ 701,388	
Little Stars Inc	\$0.00	\$79,703.18	\$130,322.74	\$229,935.92	\$229,935.92	Closed	1/6/2020	3/30/2022	\$ -	\$ -	\$ -	\$ 192,290	\$ 400,598	\$ 157,269	\$ -	\$ -	
Aaron Child Care Inc	\$0.00	\$0.00	\$229,600.13	\$229,600.13	\$229,600.13	Active	11/10/2020	-	\$ -	\$ -	\$ -	\$ 291,831	\$ 832,404	\$ 1,414,729	\$ 2,211,713	\$ 2,638,809	
Whittier Childcare, LTD	\$24,835.14	\$69,306.71	\$80,749.45	\$18,488.05	\$193,379.35	Closed	11/7/2017	12/31/2022	\$ 891,109	\$ 883,621	\$ 829,756	\$ 839,654	\$ 615,897	\$ -	\$ -	\$ -	
Hooyo Child Care Center	\$0.00	\$11,057.03	\$30,703.67	\$140,108.80	\$181,869.50	Active	9/17/2012	-	\$ 535,346	\$ 560,922	\$ 427,479	\$ 469,382	\$ 528,209	\$ 501,424	\$ 572,265	\$ 467,003	
Aurora Academy Inc *	\$11,830.59	\$81,420.09	\$30,447.08	\$46,899.31	\$170,597.07	Closed	11/30/2020	5/26/2025	\$ -	\$ -	\$ -	\$ 954,076	\$ 2,105,566	\$ 2,143,971	\$ 2,743,301	\$ 1,714,494	
Twin Cities Child Care Center	\$0.00	\$102,699.02	\$55,459.31	\$2,813.34	\$160,974.67	Closed	1/3/2011	12/18/2021	\$ 1,276,966	\$ 1,326,656	\$ 912,586	\$ 118,940	\$ -	\$ -	\$ -	\$ -	
We Care Child Care Center	\$2,682.64	\$31,193.64	\$79,129.28	\$45,644.10	\$158,649.66	Revoked	3/22/2018	9/21/2023	\$ -	\$ 163,428	\$ 172,003	\$ 192,468	\$ 147,084	\$ -	\$ -	\$ -	
Five Star Academy Inc	\$0.00	\$52,190.42	\$70,708.27	\$155,715.82	\$155,715.82	Active	5/6/2019	-	\$ -	\$ 533,421	\$ 1,126,748	\$ 1,013,158	\$ 1,131,245	\$ 898,086	\$ 1,074,166	\$ 1,537,240	
Bright Minds	\$0.00	\$0.00	\$177,005.00	\$177,005.00	\$177,005.00	Active	7/22/2016	-	\$ 705,608	\$ 900,713	\$ 792,228	\$ 349,636	\$ 955,358	\$ 932,418	\$ 1,487,085	\$ 1,690,294	
Valley Learning Center *	\$0.00	\$72,387.02	\$32,429.98	\$22,113.74	\$126,950.74	Closed	4/17/2020	10/23/2024	\$ -	\$ -	\$ -	\$ 134,655	\$ 202,456	\$ -	\$ -	\$ -	
Delta Learning and Child Care Center	\$0.00	\$17,875.73	\$38,667.43	\$0.00	\$110,543.16	Closed	5/9/2016	12/31/2021	\$ 597,083	\$ 693,259	\$ 331,785	\$ -	\$ -	\$ -	\$ -	\$ -	

Housing Stabilization Services Hearing Held: Wednesday, September 17, 2025⁵²

Background:

Housing Stabilization Services (“HSS”) is a relatively new Medicaid-funded program created to help people with disabilities move from homelessness to permanent housing. The program does not actually provide housing, but instead pays for underlying services like housing consultation and moving expenses. In 2020, Minnesota became the first state in the nation to offer the HSS program, which should have caused the Walz Administration to ensure that program controls and anti-fraud safeguards were in place. Instead, our investigation and hearings showed that DHS measured success by the amount of people allegedly served, and the amount of money spent, rather than improvement to the quality of life of Minnesotans in need. Given these incentives, the resulting massive fraud is unsurprising. Public pressure, including our own hearing, caused the Walz Administration to discontinue the program on October 29, 2025.

When Minnesota became the first state in the country to offer HSS, expectations were that funding levels would be low, with initial estimates at \$2.6 million per year.⁵³ However, reimbursements quickly skyrocketed beyond expectations, and the program was flooded with new providers. Since there is no license needed to provide HSS, and barriers to entry are low (given that most of the services are of a consultative nature), significant oversight by DHS was necessary to prevent fraud. This did not happen, and costs exploded.



Note: From USAO 12/18/2025 Press Conference⁵⁴

Our investigation and Committee hearings showed that nearly all of this activity was fraudulent.

⁵² [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 9/17/25.](#)

⁵³ [U.S. Attorney’s Office, District of Minnesota, “Defendants Charged in First Wave of Housing Stabilization Fraud Cases,” Sept. 18, 2025.](#)

⁵⁴ [YouTube video, FULL PRESS CONFERENCE: U.S. Attorney’s office announces new fraud charges in Minnesota, Dec 18, 2025.](#)

Finding: DHS was repeatedly warned about widespread fraud in HSS but failed to take timely statewide action.

In the first wave of indictments against eight individuals suspected of HSS fraud, acting U.S. Attorney Joe Thompson stated:

“I want to be clear on the scope of the crisis. What we see are schemes stacked upon schemes, draining resources meant for those in need. It feels never ending. I have spent my career as a fraud prosecutor and the depth of the fraud in Minnesota takes my breath away.”

Extensive coverage of stories from clients, as well as others who attempted to warn DHS of the widespread fraud in HSS, were reported by the media. The Committee heard testimony from DHS, as well as a client defrauded by an HSS provider, to learn about DHS’ oversight of the program, why it failed, and whether the same vulnerabilities extend to other service areas.

Note: The Committee was denied the ability to hear testimony from former DHS Assistant Commissioner Eric Grumdahl who was responsible for the administration of HSS. This occurred because DHS terminated Grumdahl the day before the committee’s HSS hearing. DHS Commissioner Shireen Gandhi would not give any explanation for Grumdahl’s termination despite being asked.

Widespread reporting and investigation by local media revealed extensive fraud schemes within the HSS program. This reporting also revealed blatant red flags that would have been caught early with better internal controls and program integrity efforts. The Committee observed the following fraud that the Walz Administration overlooked:

1. Billing for Clients Who Were Deceased

- Some providers submitted claims for housing services on behalf of clients who had died.
- In one case, a top-billing provider allegedly billed Medicaid for months after the client’s death.
- After being pressed by the committee, DHS eventually admitted that this was a pattern across multiple providers.

2. Phantom Services / No-Show Billing

- HSS providers billed for housing support meetings, visits, and case management that never occurred.
- An FBI affidavit detailed falsified progress notes and signatures to make it appear services were delivered.
- Clients told investigators they never met with the staff who claimed to have helped them.

3. Forged or Falsified Documentation

- Some HSS providers forged client signatures or created fabricated visit logs.

- Other HSS providers back-dated or mass-produced records in a (largely successful) effort to deceive auditors.
- HSS providers copied and reused records for different clients.

4. Kickbacks & “Free Rent” Schemes

- Certain HSS providers (e.g., Evergreen Recovery) allegedly offered free or reduced rent to clients as an inducement to enroll in their HSS program.
- These practices allowed HSS scammers to bill Medicaid for inflated case management “services” while using housing as bait.
- An FBI affidavit described this as a central element of the fraud.

5. Inflated or Duplicate Billing

- Some companies billed for multiple hours of service in a single day for one client, or for the same client under different staff names.
- Others submitted identical claims across multiple clients (“copy-paste” billing).
- The Committee found billing clusters that suggested systemic inflation.

6. Exploiting Vulnerable Clients

- The Committee found that some clients were pressured to sign forms without understanding what they agreed to.
- Providers sometimes enrolled people experiencing homelessness in large groups, and billed Medicaid even if services were never delivered.
- Families said they remained unhoused even while providers billed thousands in their names.

As the following timeline makes clear, DHS and the Walz Administration ignored multiple reports to blatant fraud in HHS for nearly two years before finally taking action.

July 2020 — HSS program starts

2021–2024 — Rapid growth in claims and enrollment:

- 2021 -- \$21 million in claims for 8,300 individuals
- 2022 -- \$42 million in claims for 14,200 individuals
- 2023 -- \$74 million in claims for 16,900 individuals
- 2024 -- \$104 million in claims for 21,300 individuals

This rapid, exponential growth was a structural red flag that DHS at a minimum ignored, and at worst, appeared to celebrate.

Late 2023 — Local actors (not DHS) reported concerns:

- County employees, honest providers, and a few advocates reported likely violations to DHS. Reporters questioned whether services were actually being provided, and pointed to operational and provider-quality concerns about how HSS was being delivered.

- These outside warnings were ignored by DHS and the Walz Administration more broadly, but were later confirmed by independent media investigative reporting.

March 2024 — Hennepin Health filed their first complaint to the Walz Administration:

- County-run managed care organization (MCO) Hennepin Health notified DHS of concerning billing patterns by Start Today Hennepin, the State’s largest HSS biller.
- Hennepin Health noted that Start Today Hennepin billed unusually high numbers of hours, duplicated service logs, and charged for clients who did not need services (because they were already housed, in prison, or hospitalized).
- DHS took no action.

April – October 2024 — Multiple credible outside complaints and investigations related to fraud in HSS; no action by DHS:

- In April, County employees contacted DHS alleging fraud and bribery by HHS providers. They had evidence of HSS providers paying \$50 to homeless individuals at shelters to complete HSS paperwork.
- In May, Hennepin Health manager asked DHS OIG if their fraud and kickback complaints were making it to the OIG team. DHS OIG admitted they were not, and stated “we’re flying blind on this so far.”
- In July, Hennepin Health sent DHS multiple fraud complaints, including: 1) an official fraud referral for Start Today Hennepin alleging over \$141,000 in overbilling; and 2) evidence of billing for a deceased woman for 3 weeks after her death.
- In August, Hearth Connection, a non-profit, reported to DHS about the lack of quality assurance safeguards in the program, predatory behavior by providers, and asked for a meeting. DHS delayed the meeting until December, when Hearth Connection made several more fraud allegations. DHS conducted no known follow-up.

November – December 2024 — Frustrated by DHS inaction, Hennepin Health suspends providers on its own:

- Hennepin Health suspended payments to multiple providers and refers them to Medicaid Fraud Control Unit (MFCU) at DHS.
- Hennepin Health met with DHS to discuss issues and findings from 2024 investigations.
- Hennepin Health terminated grantee Start Today Hennepin (and referred it to MFCU) after Start Today Hennepin employees admit to falsified logs and overbilling by \$141,435.
- Due to inaction by DHS, providers suspended and terminated by Hennepin Health are able to continue billing DHS through other health plans.

January 2025 — DHS Commissioner downplays fraud allegations:

- DHS Commissioner Jodi Harpstead minimizes fraud allegations in Senate Committee saying “There’s a lot of rumors of fraud more than there is actual fraud”⁵⁵ and insists there is no widespread fraud. She is replaced a few weeks later.

⁵⁵ [KARE 11 Investigates. “‘Flying Blind’: State Agency Missed or Ignored Repeated Housing Fraud Warnings.” Sept. 11, 2025.](#)

May 2025 — Initial KARE 11 Report:

- KARE 11 publishes their first article on HSS fraud documenting instances of individuals noticing companies they never heard of billing for services never received.⁵⁶ This would become the first in a series of articles throughout summer and fall of 2025 exposing the extent of the fraud and lack of action by DHS.

July 16–28, 2025 — FBI raids HSS providers⁵⁷:

- FBI and federal agents searched multiple locations tied to HSS providers.
- Acting U.S. Attorney Joe Thompons described HSS fraud scheme as “massive.”
- FBI unsealed affidavits alleging companies billed Medicaid for services not delivered, directly referencing reporting by KARE 11.
- Governor and DHS officials then ordered payments frozen while investigations continued. DHS used billing analytics and investigations to identify suspect providers; DHS suspended payments to dozens of providers (50+ halted payments initially; 77 providers had payments suspended by Aug. 1).

Aug 1, 2025 — DHS moved to terminate the program⁵⁸:

- DHS reported 77 providers with payment suspensions due to fraud. The total amount received by these fraudulent providers exceed \$88 million, which represented the overwhelming majority of HSS payments.
- Citing “credible allegations of fraud” and lack of program controls, DHS formally asked CMS to approve terminating HSS while it worked to redesign the program to stop the clear and pervasive fraud.

September 16, 2025 – Eric Grumdahl, DHS director of HHS program, is terminated.

September 17, 2025 — House Fraud Prevention & State Agency Oversight Hearing on HSS Fraud:

- The Committee heard testimony from DHS and questioned the agency on when they first knew about HHS fraud and what actions they took.
- **The day of the hearing**, Governor Walz issues an executive order aimed to combat fraud.⁵⁹

September 18, 2025 — First wave of HSS charges:

- US Attorney announced the first wave of criminal charges against eight individuals for allegedly defrauding the HSS program.

⁵⁶ [KARE 11 Investigates, “Fake Meetings & Phantom Services Alleged as Minnesota’s Housing Stabilization Services Program Booms,” May 1, 2025.](#)

⁵⁷ [KARE 11 Investigates, “Federal Agents Raid Homes & Businesses Seizing Evidence in Housing Fraud Investigation,” July 16, 2025.](#)

⁵⁸ [Minnesota Department of Human Services, “DHS Moves to Terminate Housing Stabilization Services Program,” Aug. 1, 2025.](#)

⁵⁹ [Office of Gov. Tim Walz, Executive Order 25-10, “Empowering State Agencies to Continue Combatting Fraud,” Sept. 17, 2025.](#)

October 2025 — The Walz Administration takes belated action⁶⁰:

- On October 29th, Governor Walz issued ordered stopping payments and an audit for 14 high-risk services including HSS.
- On October 31st, HSS program formally ended after the state received approval from CMS.

December 18, 2025 — More indictments and scope of the crisis expanded⁶¹:

- US Attorney announced five additional charges against individuals who allegedly defrauded HSS. USAO unveiled expansive fraud schemes, including “fraud tourists” who traveled to Minnesota to steal public funds.
- US Attorney expanded its investigation to other Medicaid waiver services such as ICS and EIDBI.
- US Attorney estimated half of the \$18 billion spent across the 14 designated high-risk Medicaid waiver programs to have been fraudulent reimbursements.

2026 — Walz Administration attempted to revive HSS⁶²:

- Governor Walz recommended that DHS submit a redesign of HSS in the executive branch’s budget recommendation to begin efforts to reintroduce the fraud-ridden program.

Finding: The red flags observed in HSS are present more broadly in Home and Community Based Services (HCBS) programs.

While HSS received unique scrutiny for the numerous red flags that DHS and the Walz Administration ignored, the Committee observed similar concerns among the broader Home and Community Based Service (HCBS)/245D program, of which HSS is part of. HCBS/245D is massive – 42% of all provider licenses granted by DHS in Hennepin County are in that program. Many HCBS/245D programs have similar attributes as HSS -- low barriers of entry and high revenue potential. As Rep. Schultz commented to DHS at the hearing:

“There are providers that provide services not just for Housing Stabilization Services, but they are interwoven through a whole number of HCBS services, and I didn’t hear from you today, nor do I have any level of confidence, that you are tracking the individuals who are involved in providing those services to those other programs. There’s no evidence that you’re applying the same principles that are happening with HSS to other Medicaid funded programs.”

On December 1, 2025, DHS announced a two-year moratorium on all new 245D licenses⁶³. In their letter announcing their intent, the agency cited a massive growth in providers outpacing program participants as applicants for the license had exploded by 283%. While this action will prevent an influx of new providers in the largest licensing category administered by DHS, the committee lacks confidence that the Governor’s fraud prevention proposals will be sufficient to

⁶⁰ [Office of Gov. Tim Walz, “Governor Walz Orders Third-Party Audit of Medicaid Billing at DHS,” Oct. 29, 2025.](#)

⁶¹ [U.S. Attorney’s Office, District of Minnesota, “Six Additional Defendants Charged, One Defendant Pleads Guilty in Ongoing Fraud Schemes,” Dec. 18, 2025.](#)

⁶² [Minnesota Department of Human Services, 2026 DHS Governor’s Budget Summary, Mar. 17, 2026.](#)

⁶³ [Minnesota Department of Human Services, 245D Licensing Moratorium Letter to Legislators, Dec. 1, 2025.](#)

stop a wave of new fraudulent providers enrolling when the moratorium expires on December 31st 2027.

Finding: The Walz Administration failed to recognize or investigate other obvious red flags in the HCBS program.

Another red flag observed by the Committee across HCBS programs (especially within HSS) was the number of businesses using the same address. For example, federal prosecutors noted a high concentration of HSS providers located at the Griggs-Midway building in St. Paul. The Committee found a similar pattern across the HCBS program. At the time of the HSS hearing, of the 1609 HCBS licenses in Hennepin County, 25% listed the same address as another licensee. As Rep. Rarick stated:

“All you have to do is show up at their door and realize that in one building alone there were 22 providers. That's not unique. In another building in Minneapolis there are 20 providers, in another building 15, two buildings 14. There are multiple providers in the exact same location. This isn't rocket science, this is easy stuff.”

The Committee is aware of no evidence that DHS has taken note or aggressively investigated this obvious red flag.

Supporting Data on Shared Address Issue

Adult Day Care Services	80
Adult Foster Care	51
Certified Child Care Center	141
Child Care Center	539
Child Caring-Placing Agency	9
Child Foster Care	745
Child Foster Residence Setting	33
Children's Residential Facilities	12
Detox Services	5
Family Adult Day Services	1
Family Child Care	505
Home and Community Based Services	830
Home and Community Based Services - Community Residential Setting	710
Home and Community Based Services - Day Services Facility	34
Home and Community Based Services - Residential Services Facility	35
Intensive Residential Treatment Services and Residential Crisis Stabilization	17
Mental Health Clinic	23
Residential Facilities for Adults with Mental Illness	3
Substance Use Disorder Treatment	93
Withdrawal Management	6
Grand Total	3872

Building	City	# of HCBS
2021 E HENNEPIN AVE	Minneapolis	22
5701 SHINGLE CREEK PKWY	Minneapolis	20
1710 DOUGLAS DR N	Golden Valley	15
3300 COUNTY ROAD 10	Brooklyn Center	14
6600 FRANCE AVE S	Edina	14
7800 METRO PKWY	Bloomington	12
322 W LAKE ST	Minneapolis	11
5901 BROOKLYN BLVD	Brooklyn Center	9
1433 E FRANKLIN AVE	Minneapolis	9
3055 OLD HIGHWAY 8	Minneapolis	8
8525 EDINBROOK CROSSING N	Minneapolis	8
4020 MINNEHAHA AVE	Minneapolis	6
7101 YORK AVE S	Edina	6
7400 METRO BLVD	Edina	6
2121 NICOLLET AVE	Minneapolis	6
2415 EMERSON AVE S STE 201	Minneapolis	6
2817 ANTHONY LN S	St. Anthony	6

Among 22 HCBS providers located in the same commercial building in Hennepin County, a pattern emerges of newly licensed companies, often cited for several violations, rapidly growing in state reimbursements.

Address	Initial License Date	Initial Filing Date	Negative Licensing Actions	FY 2025 State Payments	FY2024	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018
2021 E HENNEPIN AVE	1/1/22	10/4/20	2023 correction order: 2 citations	\$421,804	\$151,392	\$29,752	\$0				
2021 E HENNEPIN AVE	4/20/22	5/15/25	none	\$392,441	\$35,279	\$0					
2021 E HENNEPIN AVE	9/29/22	5/25/21	2025 correction order: 10 citations	\$753,041	\$0						
2021 E HENNEPIN AVE	7/26/21	4/22/21	none	\$973,746	\$838,046	\$0					
2021 E HENNEPIN AVE	10/7/22	9/8/21	none	\$526,815	\$178,667	\$3,942	\$0				
2021 E HENNEPIN AVE	11/24/21	9/18/20	none	\$544,783	\$430,635	\$207,557	\$0				
2021 E HENNEPIN AVE	2/16/21	12/24/20	2023 correction order: 8 citations	\$442,896	\$229,586	\$122,931	\$16,758	\$0			
2021 E HENNEPIN AVE	2/24/21	8/12/20	none	\$1,209,010	\$579,009	\$428,162	\$313,892	\$18,710	\$0		
2021 E HENNEPIN AVE	1/10/20	11/5/14	2025 correction order: 11 citations	\$202,739	\$156,130	\$59,643	\$67,847	\$68,241	\$0		
2021 E HENNEPIN AVE	1/1/21	8/24/20	none	\$618,491	\$153,934	\$5,830	\$0				
2021 E HENNEPIN AVE	3/13/23	10/5/21	none	\$343,932	\$55,107	\$0					
2021 E HENNEPIN AVE	7/22/21	1/20/21	Two 2025 correction orders: 12 citations	\$833,500	\$324,646	\$0					
2021 E HENNEPIN AVE	6/7/18	7/5/17	none	\$641,099	\$568,017	\$524,366	\$471,946	\$485,845	\$240,564	\$19,891	\$0
2021 E HENNEPIN AVE	10/11/24	6/6/17	none	\$867,951	\$879,183	\$616,194	\$0				
2021 E HENNEPIN AVE	1/27/23	10/20/21	none	\$63,005	\$38,676	\$0					
2021 E HENNEPIN AVE	11/29/22	12/19/21	2024 correction order: 7 citations	\$1,037,719	\$127,073	\$0					
2021 E HENNEPIN AVE	9/28/22	11/24/21	none	\$373,500	\$37,653	\$0					
2021 E HENNEPIN AVE	1/27/20	12/20/18	none	\$4,497,721	\$3,764,164	\$1,953,335	\$1,165,515	\$724,351	\$77,762	\$0	
2021 E HENNEPIN AVE	7/11/19	6/12/19	none	\$1,605,243	\$1,310,426	\$939,760	\$489,390	\$87,172	\$0		
2021 E HENNEPIN AVE	9/28/21	3/15/21	none	\$87,172	\$167,355	\$14,394	\$0				
2021 E HENNEPIN AVE	3/28/23	2/11/20	none	-							
2021 E HENNEPIN AVE	9/19/17	7/13/17	2024 correction order: 9 citations	-							

Summary

When the Walz Administration made Minnesota the first state in the nation to provide Housing Stabilization Services, it had a special duty to implement strict program controls and fraud prevention measures. This was especially true because of the low barriers to entry and consultative nature of the program, which made the nascent program an obvious fraud target.

Not only did DHS not create meaningful fraud controls, it ignored clear and obvious red flags, warnings from its own providers, county and MCO whistleblowers, and media reports. As a result, over \$100 million was stolen from taxpayers and almost no services were provided. When the program was finally shut down, we heard few complaints from affected Minnesotans, because HSS had operated almost solely as a conduit for fraud. It is also clear that the broader HCBS program is also riddled with fraud, and investigations must continue.

This shameful episode should be a warning and reminder of the perils of new, lightly regulated programs where the alleged services are hard to audit and easy to falsify. The HHS program did little to meet the needs of Minnesotans and was removed from statute during the 2026 session. It should not be renewed.

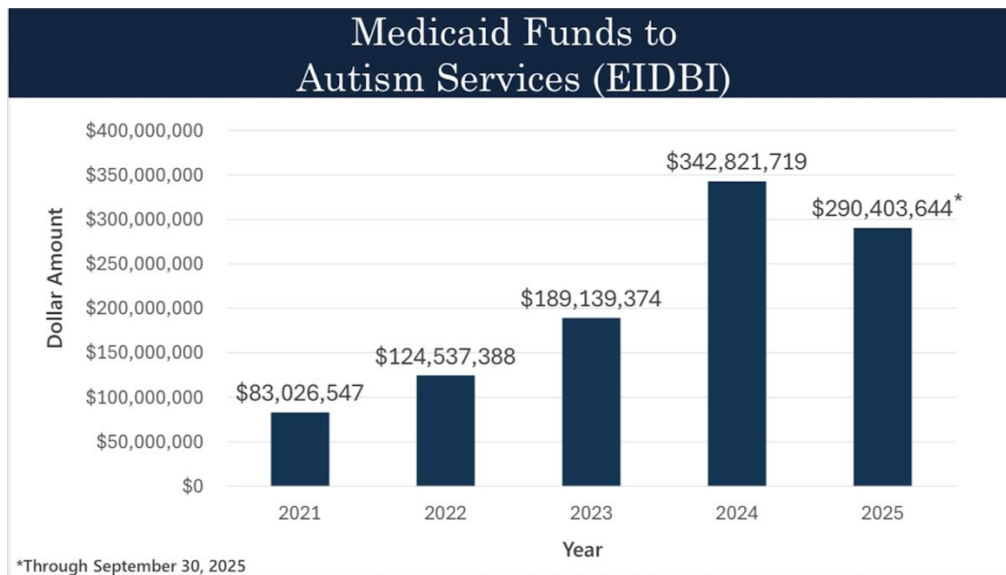
Early Intensive Developmental and Behavioral Intervention (EIDBI) or Autism Services Hearing Date: February 23, 2026⁶⁴

Background:

EIDBI is an unlicensed Medicaid (Medical Assistance or MA)-funded service created in 2013. Similar to Housing Stabilization Services, this program has faced widespread fraud allegations while also having significantly less oversight than licensed services.

The Committee held a hearing on the topic following the release of the largely redacted Optum analysis of the 14 designated high-risk programs, which flagged an astounding 90% of EIDBI reimbursements as problematic.⁶⁵ In addition, the U.S. Attorney's Office (USAO) in the District of Minnesota announced the first conviction in the EIDBI program in December of 2025.

Due to previous concerns about the EIDBI program, in 2025 the Legislature authorized provisional licensing for EIDBI providers, as well as other oversight measures. This action gave the agency permanent authority for increased oversight, twelve years after the benefit's creation. The Committee investigated why this action took so long, and why the agency allowed EIDBI spending to grow exponentially before exercising the oversight that should be expected in any government program.



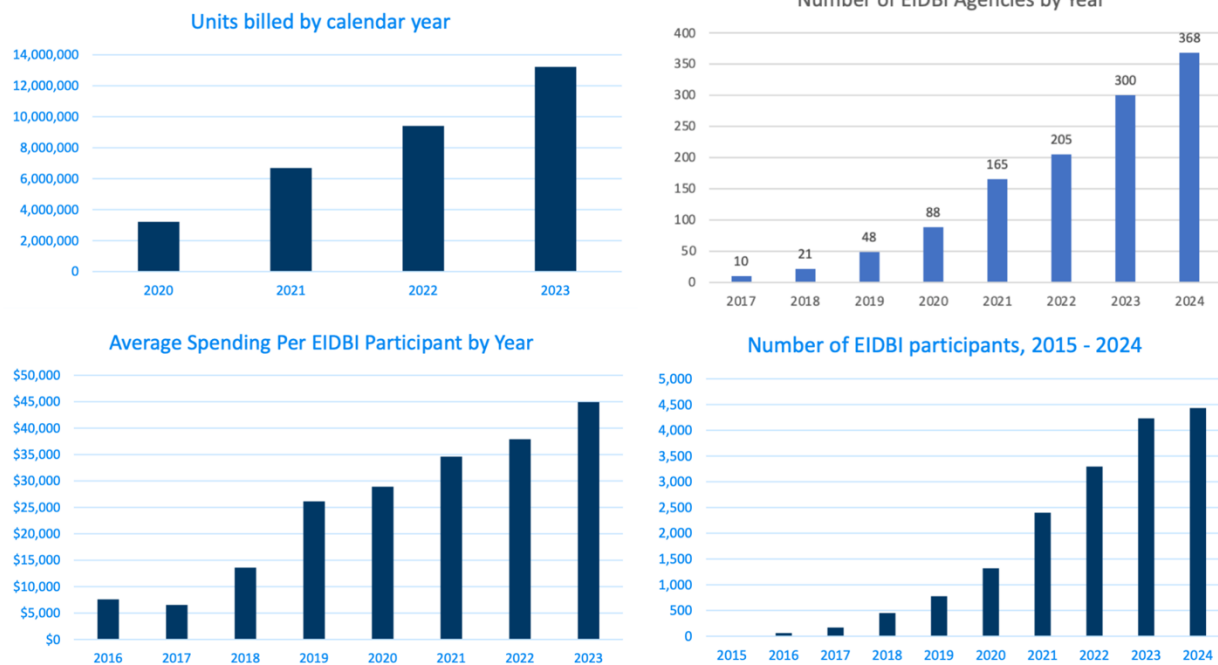
Note: From USAO 12/18/2025 Press Conference⁶⁶

⁶⁴ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 2/23/26.](#)

⁶⁵ [Optum State Government Solutions, Minnesota DHS/MNIT Vulnerability Assessment, Jan. 31, 2026.](#)

⁶⁶ [YouTube video, FULL PRESS CONFERENCE: U.S. Attorney's office announces new fraud charges in Minnesota, Dec 18, 2025.](#)

Red flags have been visible in EIDBI for years. In addition to the massive growth in spending, enormous increases have also been observed in the number of units billed, program participants, spending per participants, and number of new EIDBI providers.



Note: From DHS Legislative Report *EIDBI Licensing Recommendations*.⁶⁷

Finding: The EIDBI (Autism) program had minimal oversight by DHS, despite exponential growth. DHS failed to use existing oversight tools.

Discussion surrounding EIDBI and its lack of oversight as an unlicensed program reignited some discussion that was had in the wake of HSS fraud being exposed. Legislators and the public were interested to know how these programs were created in statute with such extensive vulnerabilities.

As is often the case with complex healthcare programs that intertwine state and federal law, the bill language usually originates from the executive branch, as part of the Governor’s annual budget recommendations. Both of these programs originated from budget recommendations proposed by former Governor Dayton.

Governor Dayton’s 2013 budget recommendations for Human Services proposed the funding of the EIDBI benefit.⁶⁸ That year, section 256B.0949⁶⁹ was created in statute, implementing the benefit contingent on CMS approval, which was given in 2015.

⁶⁷ [Minnesota Department of Human Services, EIDBI Licensing Recommendations, Jan. 2025.](#)

⁶⁸ [Minnesota Management and Budget, 2014–15 Revised Budget: Human Services, Mar. 2013.](#)

⁶⁹ [Minnesota Statutes Section 256B.0949](#)

Governor Dayton’s 2017 budget recommendations for Human Services included the creation of Housing Support Services as an MA benefit.⁷⁰ That year, a bill was passed creating Minnesota Statutes section 256B.051⁷¹ providing for Housing Support Services. A 2021 bill renamed the program to Housing Stabilization Services (HSS), as we know it today.

The Committee began by noting that 90% of EIDBI reimbursements analyzed by Optum were flagged as problematic, according to their recent heavily redacted report. Chair Robbins questioned how the issue became this widespread, noting that hundreds of new companies had appeared in recent years lacking basic operational tools, such as websites or phone numbers, yet they received massive reimbursements from the state. The Committee questioned the latest round of site visits conducted by DHS of EIDBI providers as part of an enhanced revalidation process mandated by CMS.

Chair Robbins: *“How are you and the Department routinely seeing these anomalies and taking steps before you have to be told to do it by our Committee, by CMS, by somebody else? This is a complete failure.”*

The Committee was surprised to hear about the recent change in authority of the Department to conduct site visits. Prior to the legislative action in 2025, the agency claimed it was unable to conduct basic oversight, such as site visits.

This contradicted information Chair Robbins’ received from the Centers for Medicare and Medicaid Services (CMS). According to CMS, DHS has always had the authority to designate a program as high-risk and conduct pre-payment reviews – they were choosing not to do so.

Inspector General Clark: *“That was because EIDBI was not a high-risk provider type, and it was not licensed. For licensed programs, we have statutory authority to do unannounced site visits. For high-risk provider types, we have authority to do unannounced site visits. If it’s unlicensed, and not a high-risk provider type, I believe under either state or federal regulations, only allow us to do unannounced site visits as a part of a fraud investigation. These were not fraud investigations, they were compliance investigations, therefore we were required to give 24-hour notice.”*

Chair Robbins: *“So do you need more authority from the state to say “yes” you can do unannounced site visits as you need to inspect for fraud or compliance?”*

Inspector General Clark: *“Yes, I think that’s something the legislature should look into, a blanket authority to give the department the ability to do unannounced site visits for any reason it so chooses, we just don’t have that authority right now.”*

Rep. Shultz: *“High-risk is the caveat here, they have the authority to designate. This is abdication of responsibility here, telling us that we need to put the absolute prescription into law about how they should be doing their job to protect the taxpayer. That’s your job.”*

⁷⁰ [Minnesota Management and Budget, 2018–19 Revised Budget: Human Services, Feb. 2017.](#)

⁷¹ [Minnesota Statutes Section 256B.051](#)

Finding: DHS relies on attestation from providers to ensure staff at autism centers are adequately trained to provide the services.

The Committee then discussed the qualifications of individuals employed at EIDBI agencies and the Department’s ability to verify staff credentials. In their announcement regarding the first defendant charged in the EIDBI fraud scheme, USAO noted that the defendant’s company, Smart Therapy, employed unqualified individuals as “behavioral technicians.” These staff were often 18- or 19-year-old relatives of the defendant with no formal education beyond high school and held no training or certification to treat children with autism.⁷²

Rep. Schultz: *“Do you verify those details that they are qualified currently?”*

Ms. Graume: *“My understanding is that providers attest, and there are documentation requirements that they have to provide to ensure that they are qualified.”*

Rep. Schultz: *“That appears to be a gap in the system right there.”*

Finding: DHS allows individuals who work for providers to conduct the needs assessment that determines what services are provided and billed. This structure creates an incentive to assess the maximum billable services to maximize revenue to the provider.

Continuing the discussion of staff at EIDBI agencies, Chair Robbins pointed out that the individuals who assess the level of need and service for children are in many cases employees of an EIDBI agency.

Chair Robbins: *“They work for the provider, they qualify the kid, they come up with the level of treatment that’s billed for, and we have seen that the level of billing has gone up 3,000%. This is a huge issue. We need to know if these employees are inflating the billing. Their incentive, because they work for the provider, is to inflate the billing and qualify as many kids as possible.”*

Commissioner Gandhi; *“I hear what you’re saying about the alignment of the diagnosis and then providing the treatment and billing. Part of the vendor report that we did was to look at vulnerabilities and overlaps like that in order to give us indication of where we need to close gaps, tighten requirements, or create stronger internal controls that separate specific actions like that. While I don’t have the details, we are digging into that.”*

Based on hearing testimony the Committee identified three gaps in oversight:

- DHS’ failure to use existing authority to declare EIDBI a “high-risk” program so they could exercise additional authority, including conducting unannounced site visits at unlicensed programs,
- Reliance on attestation to providers regarding the validity of their credentials, and

⁷² [U.S. Attorney’s Office, District of Minnesota, “First Defendant Charged in Autism Fraud Scheme,” Sept. 24, 2025.](#)

- A conflict of interest in EIDBI agency staff being responsible for providing the assessment that determines the level of service needed for clients, effectively allowing providers to choose how much they may bill the state.

Finding: DHS failed to request additional oversight authority from the Legislature.

None of these oversight gaps were addressed in the Governor’s budget recommendations or brought to the Legislature by DHS as concerns they needed the Legislature to address. These issues were revealed by Members of the Committee through intense questioning and scrutiny of the agency’s operations.

Members of the Committee were frustrated that these types of gaps are not being proactively brought to the Legislature by the agencies with oversight responsibility for the programs. **It is symptomatic of the failure of leadership and culture that the people directly administering programs, who know about these gaps in statute, cite a lack of authority in statute as the reason they fail to do their jobs.**

To the agency’s credit, concerns have been brought to the Legislature, but without language for immediate fixes. The 2023 Governor’s budget recommendations, a full decade after the creation of EIDBI, requested the Legislature commission a study with recommendations for future EIDBI licensure. In those recommendations, the first reason cited for why licensure may be useful is the ability to conduct more site visits as the program is rapidly growing.⁷³

As was pointed out earlier, DHS has always had the ability to designate a program as high-risk, which would have increased the tools they had for immediate action. Instead of using this existing authority or requesting additional tools for immediate use in unlicensed programs experiencing rapid growth, DHS’ lax oversight continued until the program was designated high-risk in June 2025. They could have done this much earlier.

Finding: DHS did not use new tools it had requested from the Legislature.

Legislators expect agencies to request what they need and we expect them to use the tools they are given in statute. During the 2025 legislative session, there was bipartisan support to create Minnesota Statutes section 15.013, which grants state agencies broad authority to withhold payments when there is evidence of fraud.⁷⁴ Agencies are required to report on instances this authority is used for payment withholding.

When the legislature received the first report in March 2026, **agencies reported this new payment withhold authority was used zero times**, and that they opted to use their previous statutory authority instead.⁷⁵ The new tool, designed to help agencies immediately combat fraud, went unused and required the Legislature to make additional changes to the statute this year.⁷⁶

⁷³ [Minnesota Management and Budget, 2024–25 Revised Budget: Human Services, Mar. 2023.](#)

⁷⁴ [Minnesota Statutes section 15.013.](#)

⁷⁵ [Minnesota Management and Budget, Report on State Agency Payment Withholding, Mar. 16, 2026.](#)

⁷⁶ [Minnesota House File 3621, 94th Legislature, 2025–2026.](#)

Finding: Lax oversight by DHS failed to catch obvious patterns of fraud seen in other programs, including kickbacks.

As seen in childcare fraud, kickbacks to parents to enroll their children in programs are an obvious red flag. As first reported in the USAO’s indictment of Asha Farhan Hassan for fraudulent activity at her Smart Therapy Autism Center⁷⁷, parents were paid kickbacks of up to \$1500/child to enroll or stay in Hassan’s center. Parents, who were actively participating in this scheme, would threaten to take their children to other centers if the kickbacks stopped or were not high enough.

This is identical to the kickback scheme used by members of the Minnesota Minority Childcare Association, which well-known to DHS back in the period 2015-2018, as evidenced by the response to Chair Mary Franson’s data practices request back in 2019.⁷⁸

Furthermore, subsequent to this hearing on February 23, 2026, the OLA came out with report on kickbacks in EIDBI programs.⁷⁹ DHS was well aware of this report by the time of our hearing, as they were writing a response to the OLA’s draft. The OLA report criticized DHS for failing to investigate reports of kickbacks by claiming they lacked the authority.

Finding: DHS failed to review potential connections between Feeding Our Future defendants and Medicaid-service providers, including Autism Centers (EIDBI providers). Several Feeding Our Future Fraudsters have connections to EIDBI clinics.

As noted in other fraud-prone services, criminals often operate in a network, with multiple taxpayer-funded business entities, often across multiple programs. In the Feeding Our Future scheme, investigators discovered that defendants operated a number of Medicaid funded businesses in multiple service areas, including Autism Centers/EIDBI.⁸⁰

Shortly before the Committee’s hearing on EIDBI, the 79th defendant in the Feeding Our Future scheme, Fahima Mahamud, had been arrested while attempting to flee the country.⁸¹ The Committee quickly found that the CCAP funded daycare that participated in the scheme wasn’t Mahamud’s only business. She is also connected to an EIDBI agency and two assisted living facilities. Back in February of 2025, the Committee had recommended that DHS investigate Mahamud’s daycare as the top recipient of CCAP funds in 2024.

It does not appear the agency took any action on Mahamud’s daycare or any of the others on the list of the top 72 CCAP providers that the Committee provided to DHS prior to that hearing.

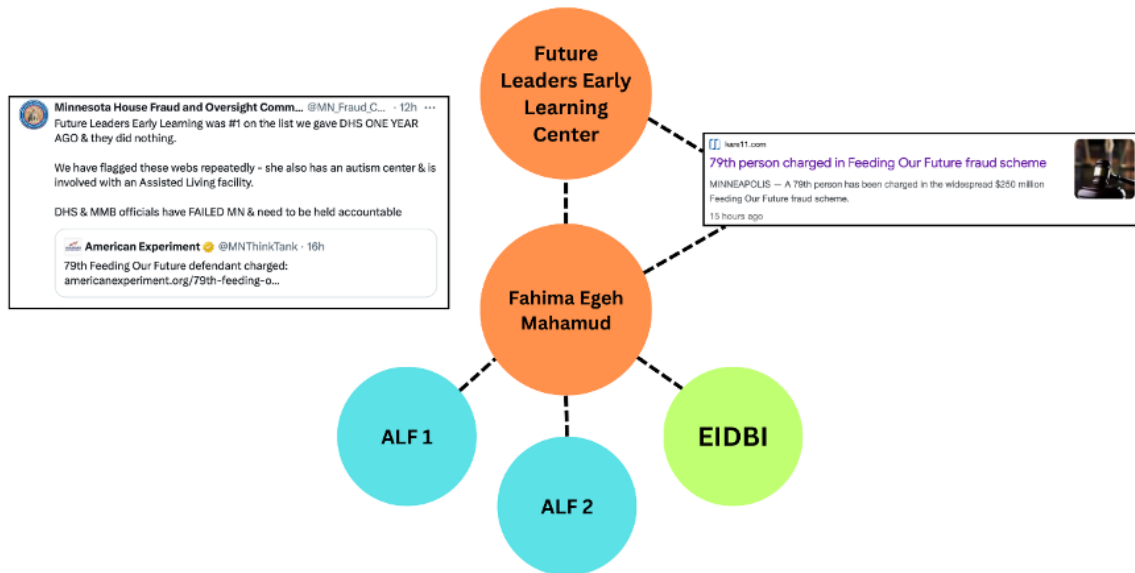
⁷⁷ [U.S. Attorney’s Office, District of Minnesota, “First Defendant Charged in Autism Fraud Scheme,” Sept. 24, 2025.](#)

⁷⁸ [5/5/2026 Committee Document “DHS Data Request 2019.”](#)

⁷⁹ [Office of the Legislative Auditor, Department of Human Services Investigations of Alleged Kickbacks in the EIDBI Program, Special Review, Mar. 17, 2026.](#)

⁸⁰ [Deena Winter, “Some Feeding Our Future Defendants Had Ties to Autism Centers,” Minnesota Reformer, July 18, 2024.](#)

⁸¹ [Soyoung Kim, “Feeding Our Future: 79th Person Charged,” FOX 9, Feb. 19, 2026.](#)



Similarly, the first defendant charged with Autism/EIDBI fraud, **Asha Farhan Hassan**, referenced above, had also been using her **Smart Therapy Autism Center** to defraud taxpayers in the **Feeding Our Future** scheme. According to a press release from the US Attorney’s Office,⁸²

“While using Smart Therapy to defraud the EIDBI autism program, Hassan also used Smart Therapy to engage in the Feeding Our Future fraud scheme to defraud the Federal Child Nutrition Program. Hassan enrolled Smart Therapy in the Federal Child Nutrition Program under the sponsorship of Feeding Our Future in July 2020”.

“Between 2020 and 2021, Hassan claimed to have served nearly 200,000 meals to children at the Smart Therapy site, for which she claimed to be entitled to approximately \$465,000 in Federal Child Nutrition Program funds.”

Finding: An individual who operated a daycare raided by police, and shut down by DHS years ago, currently operates an EIDBI business.

Through the Committee's investigation of EIDBI clinics, it was discovered that an individual previously associated with a suspicious childcare center is also connected to three active, taxpayer funded healthcare companies. In 2015, Khadra Hirsi was one of the few individuals sentenced to prison time following the initial CCAP fraud investigations. Hirsi’s business, Ace Daycare, was located in a building owned by the City of Eden Prairie. Since Hirsi’s company could no longer operate, the lease was transferred to Roda Mohamed, who began operating a new daycare named Apple Childcare in the same location. The business operations caught the attention of neighbors, who reported suspicious activity to the City of Eden Prairie.

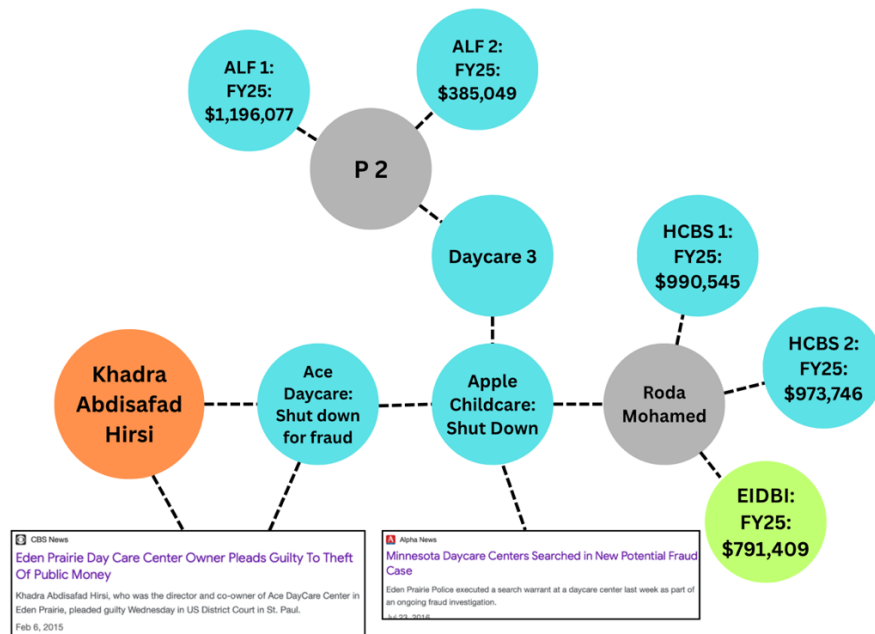
⁸² [U.S. Attorney’s Office, District of Minnesota, “First Defendant Charged in Autism Fraud Scheme,” Sept. 24, 2025.](#)

Ultimately, law enforcement investigations took place resulting in a raid of both Apple Childcare and the owner’s home.⁸³ While charges were not filed against Mohamed, court documents reveal that DHS and county contracts were canceled, and Apple Childcare was no longer able to operate.

Similar to its predecessor, Apple Childcare attempted to transfer the lease again to a third recently-formed company to continue daycare operations at this location. However, the city evicted Apple Childcare and canceled the transfer of the lease, likely not wanting to do business with more problematic childcare providers.⁸⁴

While the childcare business ended in failure for Mohamed, she has since found success with other companies. Since the closure of Apple Childcare, Mohamed has been connected to two home healthcare clinics and an EIDBI agency each approaching \$1 million per year in annual state payments.

Committee staff visited each location listed on the companies’ licenses and could not find the providers at their supposed locations. One of the home health care companies was listed in a suite that didn’t exist in a commercial building filled with other providers. The other home healthcare company was listed at a suite where a different home healthcare company was operating. The EIDBI business was listed in a suite in the basement of a chiropractic office, with a sign in the window displaying the name and logo of an acupuncture association, not an autism center, and no noticeable activity during normal business hours on a weekday.



⁸³ [Alpha News Staff, “Minnesota Daycare Centers Searched in New Potential Fraud Case,” Alpha News, July 23, 2016.](#)

⁸⁴ [City of Eden Prairie v. Lighthouse Daycare Center, Inc., et al., No. 27-CV-HC-17-701, Hennepin County District Court, filed Feb. 8, 2017.](#)

Summary:

DHS has been aware of the explosive growth in autism/EIDBI providers but has failed to ensure basic oversight of the program.

Despite the Optum report on EIDBI being nearly fully redacted, the Committee found the following elements contributing to the EIDBI fraud scheme:

- DHS' failure to see obvious patterns that are red flags for fraud, including exponential growth in spending, providers and recipients for more than a decade.
- DHS' failure to designate the program as high-risk as soon as these red flags appeared.
- DHS' failure to bring short and long-term requests to Legislature if they needed additional authority or to use the oversight tools they have been given.
- DHS' failure to follow-up on reports of kickbacks and reports of fraud from counties and Managed Care Organizations (MCOs).
- DHS' failure to look for potential connections between Feeding Our Future defendants and EIDBI providers.

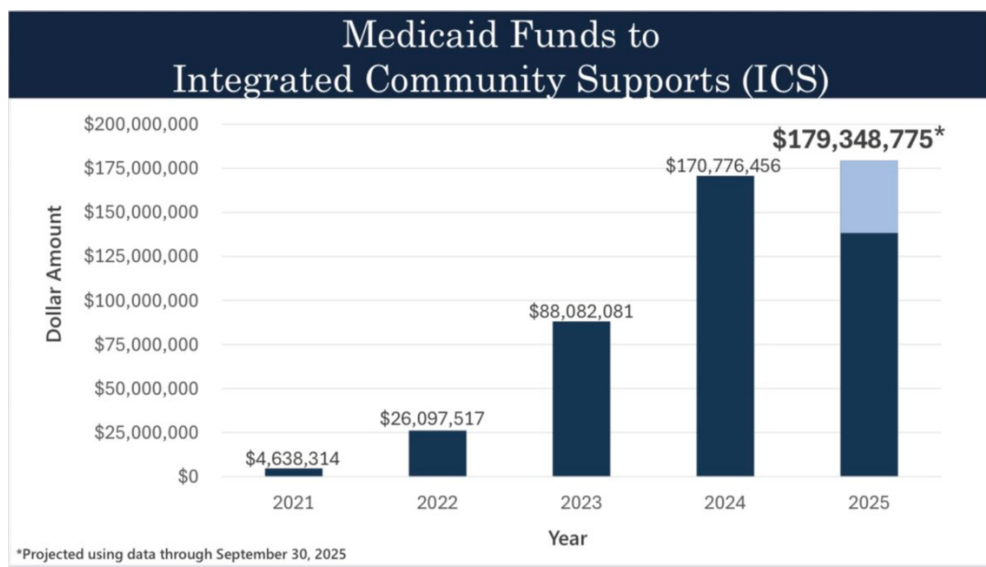
Taxpayers work hard for their money and expect state agencies to be good stewards of it. When agencies fail to perform the most basic, common-sense oversight, it enables criminals to from hard-working Minnesotans, hurts citizens who need services, and erodes trust in government.

Integrated Community Supports (ICS)
Hearing Date: Wednesday, September 17, 2025⁸⁵

Background:

ICS is a relatively new Medicaid or Medical Assistance(MA)-funded service established in 2021 to provide services for disabled individuals in a provider-controlled setting, often apartments that the provider subleases to clients. The service has been discussed in several pieces of investigative journalism often including allegations of housing kickbacks and billing for services not received. The Committee was interested in investigating the program after a whistleblower, who has resided in multiple ICS settings, reached out to warn about widespread fraud.

Shortly after the hearing, DHS announced a payment freeze for eleven ICS providers on September 26, 2025.⁸⁶ The service is among the 14 designated high- risk programs. The U.S. Attorney’s Office (USAO) in the District of Minnesota noted the explosive growth in providers and reimbursements in ICS and announced their investigation into the program in December of 2025.⁸⁷



Note: From USAO 12/18/2025 Press Conference

Finding: Whistleblower made credible claim of fraud, but DHS took insufficient action to stop the fraud.

Prior to the hearing, a whistleblower residing in an ICS setting named Cain Pence reached out to the committee. Committee staff met with Pence who described a scheme in which his ICS provider, American Home Healthcare, would provide clients housing within their setting at a

⁸⁵ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 9/17/25.](#)

⁸⁶ [Eric Rasmussen, “DHS Suspends Payments to Disability Service Providers Citing ‘Credible Allegations of Fraud,’” KSTP, Sept. 26, 2025, updated Oct. 15, 2025.](#)

⁸⁷ [YouTube video, FULL PRESS CONFERENCE: U.S. Attorney's office announces new fraud charges in Minnesota, Dec 18, 2025.](#)

reduced rate, but bill for services that were not delivered. Pence described his time at American Home Healthcare as a continuous fight with the company's owner, Jama Mohamed, to receive any services at all. These demands for service were allegedly met with threats and insults from Mr. Mohamed. Mr. Pence was invited to testify before the Committee, and he described his experience below:

Mr. Pence: *“What they do is they charge this unbelievable daily rate, \$276 a day in my case, and they don't do jack. They do nothing. So, they give you a rebate on the rent. In my case it was an \$1800 apartment I was getting for \$600, and within five days they make up for it by charging for all of these services they don't give. And there's a lot of people in the program who need things who don't say anything because they are scared of the providers. They threaten you, they intimidate you, they tell you you're not going to have housing.”*

Pence provided the committee with billing records, along with date, time, and location stamped photos that showed he was being billed continuously at his maximum daily rate, even when he was not in the state and could not have possibly received said services. Pence also provided two letters he received from DHS' Office of Inspector General (OIG) acknowledging receipt of the complaints he submitted dated 10/16/24 and 5/27/2025. He also shared a similar notice sent to his case manager for a report she submitted on his behalf dated 7/2/2025.

Additional documentation was also collected showing other concerns, such as duplicated daily logs for Pence's service generated by American Home Healthcare and an extensive timeline created by his case manager documenting the several efforts she made with multiple agencies, including DHS, seeking accountability for the provider's alleged maltreatment of Pence. The case manager's report also documents her own observations of visiting Pence in the ICS setting, where she was unable to find any staff present. Another incident she described stated that Pence was in need of assistance with a medical issue, but no staff were available to respond.

Pence eventually met with a KSTP reporter who interviewed him.⁸⁸ When the story was released, it publicly shared many of the details Pence already provided to the Committee staff and highlighted inaction by DHS after nearly a year of complaints. Pence commented on the lack of communication from the Department until his story went public during the hearing:

Mr. Pence: *“Channel 5 did a story on me, and after a year of trying to contact DHS and explain to them the massive fraud that is going on in ICS, the next day they happen to call me. I find that to be more than just a coincidence.”*

It turns out that DHS did take modest action against the provider. On August 27, 2025, the agency posted a correction order against American Home Healthcare (licensed as American Home Maker Services) addressing Pence's complaint in the citation below.⁸⁹

⁸⁸ [Eric Chaloux, “New DHS Investigation into Taxpayer-Funded Care Services for Vulnerable Minnesotans; Man Alleges Provider Told Him to ‘Do It Himself,’” KSTP, Sept. 2025.](#)

⁸⁹ [Minnesota Department of Human Services, Correction Order for American Home Maker Services, License No. 1096117, Aug. 27, 2025.](#)

DHS Correction Order: *“Regarding complaint number 202408772, the license holder was to provide P1 with 4.75 direct and two remote service hours daily. The documentation the license holder maintained for September 2024 indicated that P1 was not in the facility from September 13- September 15, 2024. Staff timesheets indicated that staff provided services during this timeframe. Additionally, there were multiple instances between June 30, 2024- October 5, 2024 in which P1 did not receive services or was only provided remote services that were recorded on staff timesheets as in-person services provided to P1. The license holder did not provide services in compliance with the requirements of the federal waiver plan.”*

DHS acknowledged the accusation that American Home Healthcare had repeatedly billed for services not received and provided the corrective action below for the violation of Minnesota statute 245D.07, subdivision 1.

DHS Corrective Order: *“Corrective Action Ordered: On an ongoing basis, you must maintain compliance as required in this subdivision.”*

After politely asking American Home Healthcare to not violate the law, the agency left the license active. Multiple new stories, allegations of fraud, mistreatment, and the exact same housing kickback offered to Pence have surfaced since. As of this writing, both American Home Healthcare and Jama Mohamod’s taxpayer-funded assisted living business have active licenses.⁹⁰

⁹¹

Summary:

It is astonishing that the only action taken by DHS in the face of well-documented fraudulent billing was to issue a “corrective action order.” Although at the time of the hearing in September 2025, ICS was not designated as a “high-risk program,” that changed the next month, when Gov. Walz issued an Executive Order⁹² designated 14 Medicaid waived services programs, including ICS, as high-risk.

As has been noted in other sections of the report, the “high risk” designation allows DHS to withhold payments and conduct additional site visits. While it is possible those steps have been taken in the intervening months, the Committee has not been able to verify either action. We have requested a list of providers subject to payment withholds but they have failed to respond.

Minnesotans expect DHS to take action when there are credible allegations of fraud. Their failure to do so in this case is evidence of their continued malfeasance.

⁹⁰ [A.J. Lagoe, Kelly Dietz, and Gary Knox, “KARE 11 Investigates: Evicted, Homeless, Paying the Price for Minnesota’s Fraud Crisis,” KARE 11, Feb. 11, 2026.](#)

⁹¹ [Alyssa Chen, “Minnesota Fraud Crackdown Leaving Disabled Medicaid Recipients Without Housing,” Minnesota Reformer, Feb. 16, 2026.](#)

⁹² [Office of Gov. Tim Walz, “Governor Walz Orders Third-Party Audit of Medicaid Billing at DHS,” Oct. 29, 2025.](#)

Adult Day Services
Hearing Date: December 17, 2025⁹³

Background:

Adult Day Services (often referred to as adult daycare) are designed to provide “community integration,” particularly for older individuals who are living with disabilities and who qualify for Medicaid (Medical Assistance or MA) disability waivers. People receive 6-12 hours of care a day. The focus of the care is on health and social needs in a center that participants visit during the day.

Stories alleging fraud in adult day services and connections to the Feeding Our Future scheme have circulated for years. The Committee wanted to know more about DHS’ oversight of this service, as it was one of the 14 high-risk programs designated by DHS. The day before our hearing, DHS announced a two-year moratorium on new adult day service providers effective February 1, 2026. The Committee questioned the agency on the red flags and the lack of oversight of provider enrollment prior to this action.

Finding: DHS could not justify the significant mismatch between growth in the number of individuals receiving services and the growth in adult day services providers.

As DHS testified in the hearing, current provider capacity exceeds current and projected service needs. This was the key reason DHS belatedly implemented a moratorium on new service providers.

Over the last 10 years, there has been approximately 7% growth in the number of individuals receiving services, while there has been an astonishing 43% growth in providers. This mismatch is a significant red flag for fraud. Legislators focused much of their discussion around this key point and found that the agency has long been aware of this dichotomy between the number of recipients and the number of providers.

Rep. Hudson: *“I’m trying to understand how the adult day services capacity of providers could exceed the need. I would think that the providers would be generated by the perceived need in the community as opposed to people setting up themselves as providers and then looking for somebody to fill up those spaces. How do you get established as an adult day provider in the first place if there is nobody you need to take care of?”*

Deputy Commissioner Connolly: *“Depending on the service there may not be a requirement to have a general service need demonstrated for a provider to be approved or to seek a licensure.”*

Inspector General Clark: *“This is a very important point. As a state we need to look at potential needs assessments across the board for new Medicaid businesses that enter our programs. I think, unfortunately, the Adult Day program did have a needs assessment that was required but that was removed from statute last session, I’m trying to figure out why that was the case... One thing I’ve thought about and kicked around is just a general needs assessment for all new*

⁹³ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 12/17/2025.](#)

Medicaid businesses in this state. You need to demonstrate that there is a need for your services before we allow you to open up and get licensed. I think that would help with this excess capacity issue we are seeing.”

With the agency admitting they saw this red flag, along with identifying basic oversight gaps, the Committee asked how long this was known before action was taken in 2025.

Rep. Anderson: *“At what point did DHS notice this, was it before the last 3 or 4 months? It had to be on going over the last 5 or 6 years. This is a huge red flag.”*

Deputy Commissioner Connolly: *“The license capacity has outpaced the need in the last several years, so we’ve seen that the number of participants has grown by about 7% in the last 10 years, licensed capacity has grown by about 43%... We wish we had identified any concerning trend sooner, but I think we’ve kind of communicated that our tools were really not up to the enormity of what we were facing.”*

Finding: DHS admitted that it was because of the immense pressure from adult day providers and legislators that approvals for new providers were given, despite the lack of demand.

The questioning shifted to why approval for new businesses continued and why action wasn’t taken sooner.

Chair Robbins: *“My concern is that when the Dept. has the ability to regulate and approve these applications, why on earth are you approving all these applications that basically fill out a form. Why have you allowed it to get so out of whack...If you know there isn’t demand, why are you greenlighting providers to start billing Medicaid?”*

Commissioner Gandhi responded that DHS has put temporary moratoriums in place to try and stop the increased risk of fraud in adult day services. DHS is given authority to approve providers based on what is in statute. In regard to the growth of providers, Gandhi stated:

Commissioner Gandhi: *“In fact, DHS faced a lot of pressure from legislators and the public on not going fast enough and not getting enough providers licensed or approved or enrolled as providers.”*

Chair Robbins: *“So who is pressuring you to approve providers?”*

Commissioner Gandhi: *“It would be a whole host of legislators and providers.”*

Gandhi said that provider applications were experiencing a backlog and the provider applicants had been pressuring DHS to approve their license for weeks because “people need care.”

Finding: This revealed a pattern similar to what occurred in the Feeding our Future Fraud scheme and should have immediately activated higher scrutiny and investigation by DHS.

As was well-documented in the hearing with the Minnesota Department of Education (MDE) on Feeding our Future, the fraudster in the case sued MDE for failing to approve new site applications fast enough.

This pressure from providers and lawmakers to approve new providers should always be considered a red flag that demands higher scrutiny of a program.

Finding: DHS officials view Medicaid as a trust-based system, and take it as given that trust may be violated.

Despite assurances over several hearings, and statement from Governor Walz that fraudsters will be caught and held accountable, DHS confirmed what the Committee already suspected: Medicaid in Minnesota has been treated as a trust-based system.

Rep. Anderson: *“What are you doing about attendance records? Counties receive lots of pressure in regard to senior care. We don’t know if they are getting 8 hours or 12 hours of care.”*

Inspector General Clark: *“**Medicaid is a trust-based system.** We do not have the staff or the technology to look over everyone’s shoulder. We need to trust providers that they are doing the right thing.”*

Commissioner Gandhi: *“Looking forward in the future, perhaps the legislature wants to consider electronic visit verification or something like that. I would be interested in discussing that in the coming session.”*

Summary:

It is clear that that DHS ignored the obvious mismatch between demand and supply for Adult Day Services, permitting exponential growth in the number of providers due to pressure from providers and some unnamed legislators to approve and enroll new providers in the program.

This was the same tactic that Feeding Our Future fraudsters used to pressure MDE to approve new meal sites, except they took the additional step of suing MDE to force approvals.

Any time the growth of providers outpaces growth of demand for services, or agency officials are pressured to approve new providers, it is incumbent on the agency to pause enrollment and review the entire program. This is one of the many ways the Walz agencies turned a blind eye to obvious signs of fraud and permitted millions of taxpayer dollars to be spent without adequate oversight.

Assisted Living/Customized Living
Hearing Date: Wednesday, December 17, 2025⁹⁴

Background:

Another area that demonstrates the interconnected web of fraud is a scheme that leverages the Assisted Living Facilities (ALF) program, funded under the Medicaid Home and Community Based Services (HCBS) program. Traditional HCBS services include skilled nursing care, durable medical equipment, and hospice care.

While there are fraud concerns in those service areas, fraudsters exploited a new ALF program that allows them to purchase small homes and bill for rent and multiple MA services with minimal oversight. Some of these ALF owners or operators are linked to defendants in Feeding Our Future. They apparently took the same playbook into the ALF program, creating another vector of fraud that is costing taxpayers tens of millions of dollars.

The Committee found massive numbers of single-family homes are being acquired and turned into highly profitable taxpayer-funded ALFs. One of the most common tips the Committee received were from residents throughout the metro reporting suspicious group homes suddenly appearing in their neighborhood and seemingly not providing legitimate services. Many of these facilities have been opened in recent years and are receiving hundreds of thousands of dollars per year for each client. Rather than an organic response to demand for these services, the Committee has observed what appears to be coordinated efforts to bring more providers into this space.

Finding: Small single-family homes providing assisted living services have been used to bypass the licensing moratorium on Community Residential Services (CRS), resulting in a large number of new providers and facilities.

In a 2022 report to the legislature from DHS entitled *Controlling the Growth of Customized Living*, the agency discussed several concerning trends in the customized living space including:

- Substantial increases in reimbursements.
- High concentrations of small facilities in the metro area.
- The failure of recent legislative action attempting to curb the use of customized living by these small businesses.⁹⁵

The new restrictions prevented the enrollment of new assisted living facilities serving four or fewer clients on disability waivers, which had become a loophole for providers to bypass the longtime moratorium on new community residential service providers. The moratorium was intended to keep the supply of services in line with the number of people in need of these services.

⁹⁴ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 12/17/25.](#)

⁹⁵ [Minnesota Department of Human Services, Controlling the Growth of Customized Living, Legislative Report, June 2022.](#)

While these recent changes steered a number of providers away from the assisted living licensure, the agency suggested additional changes the legislature could make to further curb the growth of these small providers.

Table 1: Growth in customized living and waivers

Fiscal year	Annual growth in people using customized living	Annual growth in average monthly waiver recipients	Annual growth in customized living payments	Annual growth in average monthly waiver payments
2018	13.9%	8.3%	21.3%	1.5%
2019	14.0%	7.2%	30.9%	2.4%
2020	14.0%	7.3%	45.9%	4.8%

Note: From *Controlling the Growth of Customized Living*.

In 2021, new Assisted Living Facility (ALF) licensure became available through the Department of Health. The initial number of applicants ended up being substantially higher than what the agency estimated, **with many home healthcare companies applying for the new licensure as small Assisted Living Facilities**. Since then, the number of new settings has continuously grown, with new small facilities comprising the vast majority of the growth.

Increase in Assisted Living Licenses

- MDH initially anticipated 1,300-1,500 home care licensees would convert to assisted living licensure
- However, nearly 2,000 home care licensees converted to assisted living licensure, with a total capacity of 58,975 residents

Year	Total
2021	2,053
2022	2,147
2023	2,244
2024	2,204
2025	2,328

2025 Capacity	Total Residents
5 or fewer residents	1,219
6 to 16	287
17+	822

Note: from “MDH Presentation on ALFs” in the committee documents for the hearing.⁹⁶

⁹⁶ [12/17/2025 Committee Document “MDH Presentation on ALFs.”](#)

Finding: Segregated authority has created gaps and no one has responsibility for oversight of financial management.

Taxpayer funded Assisted Living Facilities (ALFs) operate under the purview of both the Department of Health and the Department of Human Services. These businesses must obtain Assisted Living licensure through the Department of Health (MDH) but must also enroll with the Minnesota Health Care Program through the Department of Human Services (DHS) to deliver Medicaid funded services for clients (“Customized Living”).

The Department of Health conducts biennial inspections of licensed ALFs, but since the agency is not responsible for the service delivery, their inspections are limited to facility safety and health standards, not whether or how well MA services are provided. .

Testimony from both agencies revealed that the Department of Health is not responsible for detecting or preventing Medicaid fraud, and that the Department of Human Services does not conduct financial or records inspections for program integrity purposes.

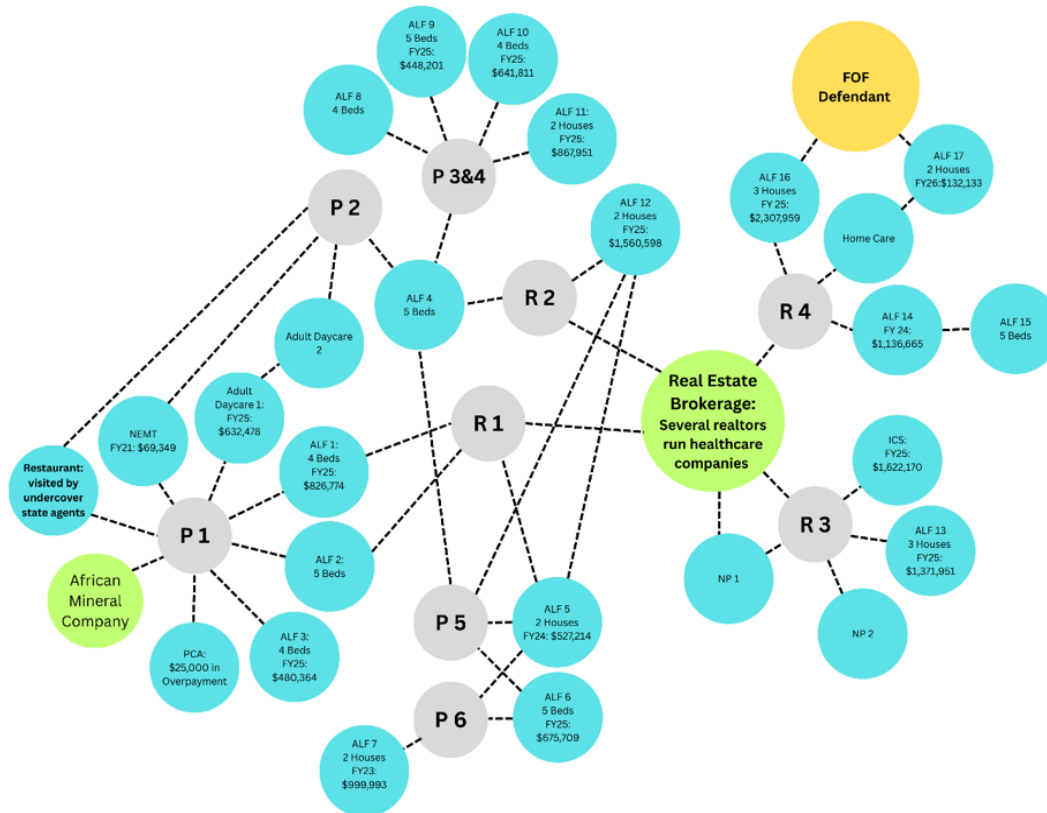
Finding: Networks of new small Assisted Living Facilities (ALFs) have exploded in the metro with very high reimbursement rates.

The Committee found an emerging trend in assisted living. Among the existing licensed facilities, the overwhelming majority are in homes with a capacity for six individuals or less. In Hennepin County, these facilities constitute over 82% of the total number of assisted living facilities in the county as of September 2025. Among the new, provisionally licensed facilities, typically within their first year of operation, 97% of these licenses across the entire state were for a capacity of 6 or less as of September 2025.

County	Total ALF	Total ALF < 7	% ALF < 7
HENNEPIN	978	803	82.11%
RAMSEY	224	157	70.09%
DAKOTA	218	150	68.81%
ANOKA	172	124	72.09%
WASHINGTON	91	57	62.64%
SCOTT	46	26	56.52%
STEARNS	37	15	40.54%
OLMSTED	30	12	40.00%
SHERBURNE	23	7	30.43%
CARVER	20	5	25.00%
WRIGHT	18	3	16.67%
ITASCA	18	2	11.11%
SAINT LOUIS	50	2	4.00%
ROCK	2	1	50.00%
STEVENS	3	1	33.33%
DODGE	4	1	25.00%
MEEKER	5	1	20.00%
TODD	6	1	16.67%
FILLMORE	8	1	12.50%
PINE	8	1	12.50%
CHISAGO	11	1	9.09%
STEELE	14	1	7.14%
RICE	19	1	5.26%

PALF Capacity	Total
3	4
4	15
5	269
10	1
15	1
16	1
18	1
20	1
24	1
26	1
28	1
29	1
41	1
Grand Total	298
97% Less than 6	

Looking deeper into the ownership of these small ALFs, connections were observed between many providers and other Medicaid funded entities. Chair Robbins presented to the Committee a map of interconnected providers, businesses, and realtors as an example of the actors behind the mass creation of these new taxpayer funded businesses.



For example, one business owner who recently entered the assisted living space has operated several other taxpayer-funded healthcare entities, has shown a history of non-compliance with their other businesses, and had connections to other suspect providers with similar red flags.

This individual (Person 1 or P1) was initially brought to the Committee’s attention when their Personal Care Attendant (PCA) business could not be found at the location at which it was licensed to operate. In addition to the PCA business, this individual also:

- operates an adult daycare and two ALFs;
- is the property owner of a third ALF operated by another individual;
- a restaurant owner, and
- also maintains a website advertising that they possess a mineral dealer license in Tanzania.

In purchasing property for their assisted living ventures, this individual has used the services of a realtor (R1) affiliated with a metro-based brokerage with many brokers who repeatedly appear as buying agents for individuals purchasing homes to convert into ALFs. Some of these real estate agents, in turn, are also operating their own taxpayer-funded ALFs or other healthcare entities (R3, R4, etc.).

A familiar name surfaced among the business owners in this network from a previous hearing on Integrated Community Supports (ICS). Jama Mohamod (R3), who has allegedly been defrauding Medicaid and the state through his ICS business, also operates three ALFs under his company, A Helping Hand Senior Care Services.

Despite the scrutiny against his ICS business, his ALF continues to operate and receive state payments seemingly uninhibited despite problematic behavior in another service area. Mohamod is also a realtor affiliated with the same real estate firm previously mentioned. He has also founded two non-profits, one of which has received over \$1 million in taxpayer funds. The CEO of the real estate firm served on the non-profit's board, according to the group's 2017 IRS 990 filing.

Finding: Gandhi Mohamed, indicted (at the time of the hearing) in the Feeding Our Future fraud scheme has direct connections to two assisted living businesses.

Through the Committee's investigation, it was revealed that Gandhi Mohamed, indicted on February 5, 2024 in the Feeding Our Future fraud scheme⁹⁷, owns the properties for two different taxpayer funded assisted living businesses. He bought the properties through a realtor and healthcare business owner affiliated with the same real estate firm mentioned in the previous finding.

Gandhi Mohamed's wife owns a company called 1st Attentive Services. This ALF operates on 4 properties. Three of these homes are owned by Gandhi Mohamed through the same LLC he used for money laundering in the Feeding Our Future case, GAK Properties. The 4th home was purchased by his wife following his indictment using a realtor affiliated with the brokerage referred to in the previous finding.

Individuals connected to Mohamed also operate a company called A Caring Living, filed on 5/7/2024, shortly after Mohamed's indictment. This company is listed as the manager of another home care company operated by the realtor who assisted his wife in the purchase the 4th home for her business.

In September of 2024, approximately 7 months after Mohamed's indictment, he purchased two more homes. Shortly after, A Caring Living began billing Medicaid for assisted living services provided at Mohamed's recently purchased homes.

In sum, Gandhi Mohamed, an indicted defendant in the Feeding our Future case at the time of the hearing (now convicted) was still buying property he would "rent" to his wife and associates, who would then bill the state for providing services at those properties through the ALF business they owned.

Despite Mohamed's indictment in the Feeding Our Future scandal, the Department of Human Services claims to have no authority to intervene in the operations of Mohamed's wife, or of the

⁹⁷ [Deena Winter. "Man Indicted in Feeding Our Future Fraud Has Been Paid \\$49 Million by DHS Since 2016." Minnesota Reformer, Feb. 16, 2024.](#)

new ALFs created shortly after Mohamed’s indictment by his associates on two homes he purchased using same shell company he has been indicted for using in Feeding Our Future.

In a statement published by News Nation, the agency said:

“DHS cannot withhold payments for a business only based on an indicted individual being a landlord for a property. If the indicted person were an owner or had a role in the operation of a company delivering Medicaid services, DHS would have authority to withhold payment.”⁹⁸

The Committee does not find this credible. The indicted person clearly had purchased the properties and has relationships with the operators of the companies delivering services at said properties.

In April of 2026, Mohamed pled guilty to fraudulently obtaining \$1.4 million. In an article covering the conviction published by Kare 11, Mohamed’s role in the scheme as a “landlord” to associates is described.⁹⁹

“His family members, led by Ikram Mohamed (sister), who worked for Feeding our Future, claimed to serve millions of meals to children in need at Gandhi’s buildings on East Lake Street and North Logan Avenue.

They’d pay Gandhi supposed “rent” at those buildings to launder the money. He’s now ordered to pay back that \$1.4 million.”

Summary:

This is exactly why Minnesotans are so fed up! Two different departments have shared authority over ALFs but neither thinks it has oversight responsibility for billing or finances.

There has been significant growth in small ALFs *because* it enabled owners to get around a more significant licensure process, yet no one seems concerned about this incentive.

Once again, we find the interconnected web of relationships that enable known fraudsters and their family members and business associates to continue to bilk taxpayers for money – even when they are facing charges in another fraud case.

Minnesota taxpayers are tired of the games and excuses. They want agencies to focus finding these interconnected webs and stopping payments as soon as these red flags appear – not wait until millions has gone out the door.

It is not rocket science – stop sending taxpayer dollars to known fraudsters and their associates.

⁹⁸ [Rich McHugh, “Minnesota Pays Millions to Assisted Living Facilities Linked to Fraud Defendant,” NewsNation, Dec. 30, 2025.](#)

⁹⁹ [KARE 11 Investigates, “Fraud Suspect Pleads Guilty with Agreement Won’t Face Future Charges,” Apr. 9, 2026.](#)

Nonemergency Medical Transportation Monday, March 2, 2026¹⁰⁰

Background:

Nonemergency Medical Transportation (NEMT) is a Medicaid benefit that ensures eligible individuals can access healthcare services when they lack reliable transportation. At the federal level, states must provide necessary transportation to and from covered medical services as part of Medicaid. Minnesota has seen significant NEMT fraud in recent years resulting in multiple prosecutions.

The fraud in NEMT was first brought to the Committee's attention by a Managed Care Organization (MCO) whistleblower whose compliance staff had flagged usual billing patterns for rides that didn't seem to make sense. The MCO had reported their concerns to DHS but had not received any response, so they reached out to us.

Upon further investigation, the Committee's staff realized this fit the pattern seen in other programs – interconnected webs of service providers who worked together to bundle billable services. In this case, the common thread seemed to be NEMT providers working with interpretative service providers who billed for real or possibly fake clients needing rides to sober homes, mental health services or naloxone treatment centers.

The Committee held a hearing to better understand the scope of NEMT fraud and statutory changes may be necessary to strengthen internal controls.

Finding: The Pitstop 66 case demonstrates that the NEMT program is structurally unsound and invites fraud.

The first major NEMT fraud scheme occurred in St. Cloud, where a therapy clinic saw a massive surge in clients after interpreters began promising to recruit new clients for the clinic. These interpreters also arranged transportation for these clients and encouraged the clinic owner to open a new location in Anoka, 60 miles from St. Cloud. Drivers would then bring groups of clients to the clinic, but bill as if separate individual rides had occurred. Overbilling also occurred for the therapy itself.¹⁰¹

The complexity of this fraud scam and the several “stops” in it across multiple types of programs and providers spawned the “Pitstop 66” investigation, undertaken jointly by the MN Attorney General's Office, the Bureau of Criminal Apprehension (BCA) and the Dept. of Human Services Office of Inspector General (DHS OIG).¹⁰² Pitstop 66 centered around part of the Somali community in Faribault where the same basic scheme was occurring, but at a larger scale.

¹⁰⁰ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 3/2/2026.](#)

¹⁰¹ [Deena Winter, “How Fraudsters Have Gamed Minnesota's Medicaid Program for Millions,” Minnesota Reformer, Sept. 20, 2024.](#)

¹⁰² [Luke Sprinkel, “State's ‘PITSTOP-66’ Investigation Uncovers Widespread Medicaid Fraud,” Alpha News, July 11, 2024.](#)

In March of 2024, the Minnesota Attorney General brought criminal charges against 19 people related to the scheme. In February, one of the ringleaders, Nasro Takhal, pled guilty. Her particular scheme defrauded \$2.6 million from Medicaid.¹⁰³

In examining the Pitstop 66 case, the Committee observed the following program integrity gaps in NEMT:

1. *Weak and fractured oversight*: Both MNDOT and DHS had oversight responsibilities and multiple Medicaid programs were involved in billing. No single agency has full responsibility for the NEMT program.
2. *Mileage-based incentives*: Because program reimbursement increased with distance, the NEMT program created incentives for **long, unnecessary trips**.
3. *Preauthorization loopholes*: Since DHS regulations did not require trips under 60 miles to obtain pre-approval, fraudsters routed patients just under that threshold.
4. *Fragmented billing system*: Because transportation, interpreter, and clinic billing were **separate systems, it was relatively easy for fraudsters to create** “phantom” combinations of claims.

In an effort to address some of these issues, in 2025 the Legislature passed a bill requiring DHS to phase-in a requirement for either statewide or regional contracting for NEMT administration. Prior to this change, DHS was prohibited from contracting with a statewide broker.

While a statewide broker may address some issues, concerns were raised about one broker’s past history with fraudulent billing in other states and rural providers expressed concern that a statewide broker would not adequately address the differences in billing and scheduling between rural and metro providers.

The Committee will be watching closely to see if this new requirement actually improves the regulatory oversight of the NEMT program and reduces the amount of fraud.

Finding: Fraud schemes similar to the one uncovered in Pitstop 66 extend to other networks.

In its investigation, the Committee observed that the complex scheme of recruiters and multiple providers in the Pitstop 66 case is not unique, and appears to exist throughout the NEMT program. Testimony from PrimeWest, an MCO, confirmed this suspicion:

Prime West: *“We uncovered a suspected fraud scheme involving certain NEMT providers. We identified instances where members were reportedly offered kickbacks from drivers, members were encouraged to travel to more distant methadone clinics, including from Northern Minnesota to the Twin Cities in exchange for higher kickback payments. Drivers were recruiting members to utilize specific treatment centers and they would coach the members on how to answer assessment questions so they could qualify so that they could qualify for services. NEMT*

¹⁰³ [Lou Raguse, “Inside One of Minnesota’s Most Complicated Fraud Cases,” KARE 11, Feb. 16, 2026.](#)

agencies financially incentivize drivers to recruit and transport as many members as possible in a single vehicle so they could bill mileage for each person in that vehicle”

PrimeWest proceeded to identify oversight gaps similar to those seen in Pitstop 66:

1. Red flags are missed by standard license checks (such as multiple drivers being associated with the same address).
2. Limited visibility on how many riders are in a vehicle while mileage is billed separately.
3. NEMT claims are often paid months after the service has been provided.
4. Lack of prior authorization for certain key services where it should occur.

Finding: The vulnerabilities enabling this scheme could be addressed by implementing a widely available technology solution, but DHS refused to commit to supporting such a change.

The Committee next heard testimony from Michael Weidner, the Executive Director of Minnesota Paratransit Providers Association. Weidner described patterns of fraud in NEMT and DHS’s response:

Mr. Weidner: *“Fraud is not new to NEMT, what is new, is DHS’s lack of any attempt or desire to curb fraud. This DHS apathy is disgusting. The lack of ambition at DHS occurred when DHS introduced a broker into the NEMT program.”*

Weidner described that his organization had prevented fraud by use of a “chain of custody document” that required documented sign-offs when a client is transported. Weidner pointed to a DHS policy change that ended this key anti-fraud measure:

Mr. Weidner: *“The chain of custody requirement was removed when DHS started contracting with a broker. In 2009, I filed a whistleblower claim with The US Attorney regarding the NEMT broker under the False Claims Act. The US Attorney investigated this matter, and informed me, yes, the NEMT broker had billed for serviced not rendered. However, DHS was fully aware of that overbilling, and DHS had consented to the billing, so therefore, it was not considered fraudulent billing under the False Claims Act.”*

Rather than large administrative changes, Weidner suggested mandatory GPS tracking and camera use, a common-sense solution already in use by transportation companies. According to Weidner, such technology would prevent fraud by verifying rides, mileage, and the number of individuals in a vehicle.

Mr. Weidner: *“What the woman had talked about just before me, about the fraud, about the activities, those have been going on forever. We’ve tried to work with DHS, since at least 2015 and said, “require GPS, require cameras.” DHS’ answer to me was “how much is it Mike?” I said it’s \$30 per vehicle, per month. DHS told me that was too much for an NEMT driver to have to pay.”*

When the Committee asked if DHS would support requiring NEMT drivers to use cameras and GPS tracking, the agency responded that they would consider the idea, but could not commit to supporting legislation.

The Committee was dismayed to hear this equivocation, given that Mr. Weidner had proposed the idea more than a decade ago. **To the Committee, this episode is emblematic of DHS's lack of a sense of urgency to implement program integrity measures to address the massive fraud Minnesota is facing. DHS must do better.**

Finding: The significant lag in submitting NEMT bills may contribute to fraud, particularly if NEMT bills are not tied back to the bills submitted by service providers.

Weidner also presented the Committee data showing a massive drop, over 60%, in in NEMT rides over the last year.¹⁰⁴

DHS stated that this odd trend in the data is because NEMT bills may be submitted up to a year after services are rendered. The Committee finds that it is quite unlikely that a large number of providers would wait for months after providing services to get paid, especially if, as DHS claims, providers are arguing that a \$30 per month integrity measures is too large of a financial burden.

The Committee expressed concern that permitting such long billing submission cycles may engender backdating or falsifying records, as was seen in the St. Cloud case. The Committee believes this should be a red flag and that providers who submit bills a year after services are rendered should be subject to higher scrutiny and that the permissible billing cycle should be shortened.

Summary:

Based on whistleblower reports and public testimony at the hearing, it appears that NEMT fraud has been ignored by DHS for more than a decade. Given the obvious red flags and multiple indictments, **the Committee believes DHS should take immediate steps to reduce the billing cycle, use AI to compare NEMT bills to those submitted for the same client for other services, and support legislation to require use of cameras and GPS monitoring of NEMT providers.**

Our investigation shows that the fraud in NEMT has been ongoing, significant, and preventable. The Pitstop 66 fraud was breathtaking in its scope and brazenness, and our investigation revealed this this scheme is being repeated across the state. For inexplicable reasons, DHS failed to see clear warning signs and has not implemented known and common-sense steps that would significantly limit the fraud. We call upon DHS to move quickly to end the fraud in NEMT, or the legislature should step in and enact significant reforms.

¹⁰⁴ [3/2/2026 Committee Document "Michael Weidner Presentation."](#)

Paid Family Medical Leave¹⁰⁵
Hearing Date: November 19, 2025

Background:

Minnesota's Paid Family and Medical Leave Program (PFML) is designed to provide partial wage replacement to eligible individuals who are unable to work due to qualifying events, such as bonding with a child in their first 12 months of life. The program relies on accurate reporting of work status and income to ensure benefits are distributed properly.

During a preliminary review of the potential vulnerabilities within the PFML program, the committee identified serious concerns regarding potential misuses, vague definitions and loopholes that could affect program integrity.

Minnesota's program has more expansive definitions and a larger benefit set than other states and those states are already having to increase the payroll tax and/or decrease the benefit set to make it work. Other states have also experienced fraud.

The Committee held a hearing to try to get ahead of this issue and look at potential changes that would help tighten internal controls so we could stop fraud before the program went into effect on January 1, 2026. **Unfortunately, The Department of Employment and Economic Development (DEED), which oversees the program, refused to acknowledge any potential issues and repeatedly assured us they had thought of all contingencies.**

Finding: Removal of employers from the leave approval process may limit oversight.

Testimony from business owners indicated concerns about the ramifications of government interference in the employee/employer relationship. Under PFML, the employees now apply to the state for leave and the state, not the employer, approves the leave, yet the employer is required to track everything, including flagging potential fraud, and must pay at least 50% of the premium cost.

The Committee observed that this structural change may reduce employer visibility into employee leave claims and limit the ability of employers to identify inconsistencies between reported leave and actual work activity. Additionally, concerns were raised that employers may lack a clear or formal mechanism to report suspected misuse or raise questions regarding the integrity of claims. The absence of employer involvement removes a traditional layer of oversight that has historically played a role in monitoring leave usage.

Finding: Limited mechanisms to verify outside employment and income

During the hearing, members raised concerns regarding how the program accounts for individuals who may continue working outside of their primary employment while receiving benefits. This includes individuals working second jobs within Minnesota, earning income in another state, or engaging in independent or self-employed work. The committee identified

¹⁰⁵ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 11/19/2026.](#)

uncertainty around how such income is tracked or verified, particularly in real time. Testimony suggested that the program may have limited ability to cross-check earnings across multiple employers or jurisdictions, creating potential gaps in detecting unreported income or enabling employees to receive paid leave from multiple employers at the same time. These limitations may allow individuals to receive benefits from the PFML program while continuing to earn wages.

Finding: Questions remain regarding fraud detection, auditing, and repayment processes

Testimony highlighted several concerns regarding the enforcement mechanisms within PFML, including how frequently claims are audited and how overpayments are identified and recovered. The committee discussed the processes used to distinguish between good faith errors and intentional misrepresentation, noting that this distinction may be difficult to consistently apply.

While penalties for misuse may include repayment of benefits along with an additional percentage of the overpaid amount, questions remain regarding how often overpayments are pursued and successfully recovered. **DEED testified that they wouldn't usually seek to recover overpayments – they would simply deduct any overpayments from next year's benefits.** Committee members expressed concern about this lack of deterrence, but DEED assured the Committee it was easier to administer.

Members were concerned that state employees may not be motivated to pursue overpayments and track the money down. The Committee also noted that detection of improper payments may occur only after benefits have already been distributed, raising concerns about the effectiveness of current audit and enforcement practices.

Finding: Broad eligibility criteria and reliance on medical certification may present vulnerabilities

The committee discussed concerns related to medical eligibility and certification requirements under the program. Testimony suggested that certain qualifying conditions may be difficult to objectively verify, particularly those that are intermittent or recurring in nature.

The Committee raised questions about the extent to which individuals may take repeated or extended leave based on such conditions, and whether clear limits exist on the duration or frequency of absences. Additionally, the program relies heavily on medical providers to certify the need for leave, which may create inconsistencies in how eligibility is determined. Concerns were raised about whether standardized validation mechanisms are in place to ensure that certifications are accurate and applied consistently across providers.

Finding: Oversight of caregivers and service providers may be limited

Testimony also raised concerns regarding the verification of caregivers associated with leave claims. The committee identified potential gaps in requirements for verifying caregiver identity, qualifications, and the necessity of care being provided.

Questions were also raised about how the program confirms that caregiving services are actually being delivered, the lack of caps on the number of people who could take leave to care for the same individual, and whether sufficient documentation is required to support caregiver claims.

Additional concerns were discussed regarding providers located outside of Minnesota or outside the United States, and how the program verifies the legitimacy of those determining of the need for care, if they are not licensed practitioners in Minnesota or in the United States. The committee noted that a significant burden of verification appears to fall on medical providers, which may limit the program's ability to independently validate caregiving claims. DEED did not seem to have a mechanism for verifying providers outside the U.S.

Finding: Rapid program rollout may limit early-stage verification capacity

As of February 9, 2026, approximately 13,000 applications had been approved within the first 40 days of program implementation, averaging roughly 325 approvals per day.

The Committee observed that the speed and scale of approvals may limit the ability of DEED to conduct thorough verification of each claim. Testimony suggested that early implementation may rely more heavily on self-reported information, while verification systems and enforcement mechanisms continue to develop. This rapid rollout increases the risk of fraud and the Committee stressed the importance of strong oversight and ongoing evaluation of program integrity safeguards.

Summary:

The Committee has repeatedly stressed the importance of “stopping fraud on the front end,” before taxpayer dollars are stolen, as it is very difficult to recover the full value once the money has been used for vacations, luxury homes and cars, jewelry, and property overseas.

The Committee decided to hold a hearing on PFML before the program went into effect to better understand the internal controls DEED had in place and try to flag concerns ahead of implementation. Unfortunately, DEED officials seemed largely unconcerned about the issues raised by the Committee and kept assuring the Committee that they had already taken these concerns into account and had robust plans for quickly identifying and stopping fraud.

The Committee remains concerned that the definitions in statute are too broad and that DEED does not have sufficient oversight tools in place to detect fraud, particularly when leave is taken to care for someone else. The Committee will continue to follow updates from the first year of implementation and seek additional statutory authority to close loopholes as warranted.

Minnesota Management and Budget & Office of Grants Management
Hearing Date: Wednesday, January 21, 2026¹⁰⁶

Background:

The Minnesota Management and Budget office (MMB), among other roles, has the authority and responsibility to oversee and ensure that executive branch agencies have adequate internal controls, follow those controls, and properly manage taxpayer money.

The Office of Grants Management (OGM) has the authority and responsibility to ensure that Minnesota's grant programs are properly and efficiently run, and that fraud is prevented and detected in grant programs. When properly run, MMB and OGM hold the executive branch accountable for negligent and intentional actions related to fraud and mismanagement.

Over the last several years, the Office of the Legislative Auditor (OLA) has routinely found serious deficiencies in internal controls and grants management across executive branch agencies. The Committee wanted to hear directly from the MMB and OGM because they collectively have the statutory responsibility for maintaining internal controls and compliance in programs, contracts and grant agreements across all state agencies.

Weeks before the hearing, on January 6th, 2026, the OLA released a performance audit of the Behavioral Health Administration (BHA) grants administered by DHS.¹⁰⁷ The report detailed widespread failures of internal controls, unreliable documentation, and, **shockingly, falsification and backdating of documents by DHS employees.**

The Committee heard testimony from the Commissioner of MMB and Deputy Commissioner of OGM about their response to this and other issues.

Finding: MMB has statutory responsibility for internal controls across executive branch agencies but has failed to enforce policies or exercise any actual oversight of state agencies. Instead, MMB relies on self-attestation from agency heads.

In 2009, the Minnesota Legislature enacted section 16A.057,¹⁰⁸ which sets out the responsibilities MMB has to regulate the internal controls of all executive branch agencies. Pursuant to this statute, MMB is required to coordinate the design and implementation of a system of internal controls that accomplishes the following objectives:

- (1) Safeguard public funds and assets and minimize incidences of fraud, waste, and abuse.
- (2) Ensure that programs are administered in compliance with federal and state laws and rules.

¹⁰⁶ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 1/21/2026.](#)

¹⁰⁷ [Office of the Legislative Auditor, Department of Human Services: Behavioral Health Administration Grants, Performance Audit, Jan. 6, 2026.](#)

¹⁰⁸ [Minnesota Statutes section 16A.057.](#)

(3) Require documentation of internal control procedures over financial management activities, provide for analysis of risks, and provide for periodic evaluation of control procedures to satisfy the commissioner that these procedures are adequately designed, properly implemented, and functioning effectively.

MMB is then required to “take appropriate steps to address internal control problems” and report to the Governor and Legislative Auditor on issues with executive branch internal controls. In turn, MMB created the Internal Control and Accountability (ICA) unit, which is currently staffed by five internal control specialists and one Finance Services Director, to fulfill its statutory obligations.

In the Committee hearing, Chair Robbins asked the MMB Commissioner about its effectiveness in performing its fraud-prevention role:

Chair Robbins: *“You create systems and rely on the agencies to manage those systems. We talked about how the agencies are required to do this sign off on internal controls. So, I wonder, if you’re setting up all the templates, all these processes, and then the agencies sign off on it, but within those agencies there is rampant fraud... when these agency heads sign off, and yet there's indictments, convictions, known fraud, what do you do to hold them accountable?”*

Commissioner Campbell: *“This is not an area we have delegated authority, we don’t have the stick that you’re referencing. What we do is work hard to support them, to provide them tools and resources, to set them up for success along the way.”*

Chair Robbins: *“So you view your role as supporting agencies to do their job, but not holding them accountable?”*

Commissioner Campbell: *“We do not have a tool to hold agencies responsible.”*

Chair Robbins: *“What would that tool be, what do you need? Because under statute that is your responsibility for internal control.”*

Commissioner Campbell: *“I know you’re asking the question of what do we need to hold agencies accountable. I would view that differently, and that would be to say what do we need for agencies to be successful in doing this.”*

Finding: The MMB Commissioner misunderstands her statutory authority and responsibility.

Minn. Stat. 16A.057 requires MMB to oversee internal controls, train agencies, “take appropriate steps to address internal control problems” identified by the OLA, and report to the Governor and Legislative Auditor on issues with executive branch internal controls.

This is more than sufficient statutory authority to demand sufficient internal controls and hold the executive branch accountable. **The Committee was shocked to hear that the primary way the Commissioner of MMB allegedly carries out her statutory responsibility for ensuring**

adequate internal controls across all agencies was reliance on an annual certification process and use of the Control System Assessment Tool (CSAT).

Clearly, the MMB Commissioner's limited view of her role has failed to prevent, detect, or document the theft of over \$9 billion in taxpayer money at DHS and untold billions more in SNAP, CCAP, DEED and other programs. Robust internal controls, annual audits of each agency, thorough training, and comprehensive annual program reviews would have prevented or at least uncovered much of that fraud.

Finding: The annual certification process employed by MMB should require agencies to analyze the growth in spending, providers and recipients versus what had been anticipated by the fiscal note or budget projection. Any anomalies should be flagged and reported to the Governor, agencies, and committees of jurisdiction in the Legislature. Agencies should be held accountable for immediately investigating and taking appropriate action to stop fraud.

Unfortunately, all the Commissioner of MMB currently requires is self-attestation on forms.

Finding: The Office of Grants Management, which is responsible for oversight of the grant making process, has done next to nothing to prevent fraud.

The Office of Grants Management (OGM), which is part of the Department of Administration (DOA), was created in 2007 in response to oversight failures identified by an OLA report titled *State Grants to Nonprofit Organizations*, which outlined the poor oversight over the grant making process especially for legislatively-named grants.¹⁰⁹ Minn. Stat. 16B.97 through 16B.991 gives OGM substantial oversight tools and responsibility over the grant making process.

The Committee heard testimony from Dept. of Administration leadership. In her presentation, Commissioner Gronvall stated that Minnesota's grant management system is decentralized, with agency heads responsible for the grants they create.

Using an example from a recent OLA report on Behavioral Health Administration (BHA) grants,¹¹⁰ which found that DHS employees had falsified and backdated documents, Chair Robbins questioned how OGM manages their oversight responsibilities:

Chair Robbins: *"You have a policy against falsifying documents, so when that policy was violated in this instance what are you doing about it?"*

Deputy Commissioner Christensen: *"If there is a policy violation, similar to what MMB was discussing, there is not an enforcement mechanism that the Department of Administration has."*

Chair Robbins: *"So what kind of enforcement mechanism do you need?"*

¹⁰⁹ [Office of the Legislative Auditor, State Grants to Nonprofit Organizations, Evaluation Report, Jan. 2007.](#)

¹¹⁰ <https://www.auditor.leg.state.mn.us/fad/pdf/fad2601.pdf>

Deputy Commissioner Christensen: (No response.)

Chair Robbins: *“To me this is the crux of the problem. We have one agency responsible for grants, one agency responsible for all the other finances of the state. And in both cases you have a lot of policies, a lot of procedures, but when they are violated nobody does anything.”*

Similar to the OMB, the DOA Commissioner and Deputy Commissioners misunderstand their statutory authority and responsibilities. Minn. Stat. 16B.97 provides significant and sufficient power to the DOA to hold executive agencies accountable.¹¹¹ In 16B.97, the Commissioner has the power to:

- “provide leadership and director for policy related to grants management”
- require executive agencies “to fully cooperate with the commissioner” in state grant administration
- “adopt rules to carry out grants governance, oversight, and management”
- “review grants management practices and establish and **enforce** policy and procedure improvements”
- “review, recommend, and implement alternative strategies for grants management”
- **“suspend or debar grantees from eligibility to receive state-issued grants for up to three years”**

And, in Section 16B.97, Subd. 2, the Commissioner is given the following authority:

Sub. 2. Grants governance. *The commissioner shall provide leadership and direction for policy related to grants management in Minnesota in order to foster more consistent, streamlined interaction between executive agencies, funders, and grantees that will enhance access to grant opportunities and information and lead to greater program accountability and transparency. The commissioner has the duties and powers stated in this section. Executive agencies shall fully cooperate with the commissioner in the creation, management, and oversight of state grants and must do what the commissioner requires under this section. The commissioner may adopt rules to carry out grants governance, oversight, and management.”*

Despite these broad and comprehensive grants of authority, the Deputy Commissioner stated that *“there is not an enforcement mechanism that the Department of Administration has.”* This is obviously incorrect and a dereliction of duty.

The Commissioner and Deputy Commissioner’s failure to understand their roles and conduct proper oversight has cost the state untold amounts of money.

Finding: The Office of Grants Management employs a grant manager who is also an owner of a tax-payer funded sober home, which is facing fraud allegations and is run by associates of a convicted fraudster.

The Committee received multiple whistleblower reports concerning a taxpayer-funded Substance Use Disorder (SUD) treatment facility called Access Healing Center. After investigating, the

¹¹¹ [Minnesota Statutes section 16B.97](#)

Committee determined that the whistleblower complaints were credible, and that one of the owners is Lul Osman, a grant manager at OGM.

The Committee found that the three owners of the facility had ties to other concerning individuals and businesses, as well as to convicted fraudster Mukhtar Shariff. Two of the owners, Hibat Sharif and Musab Abdulkadir, were mentioned in a Kare 11 investigation of an Adult Rehabilitative Mental Health Services (ARMHS) provider called Community Care Partners.

Sharif and Abdulkadir appeared on purchasing documents provided by the company's previous owner. The Kare 11 report detailed allegations from an individual claiming the company billed her without providing services.¹¹² One of the owners, Hibat Shariff, also worked with Mukhtar Shariff to found Somali North American Business and Professionals (SNABPI), an association of Somali business owners that holds conferences across the world. The third owner was Lul Osman, who has been a grant manager for the Office of Grants Management since 2019.

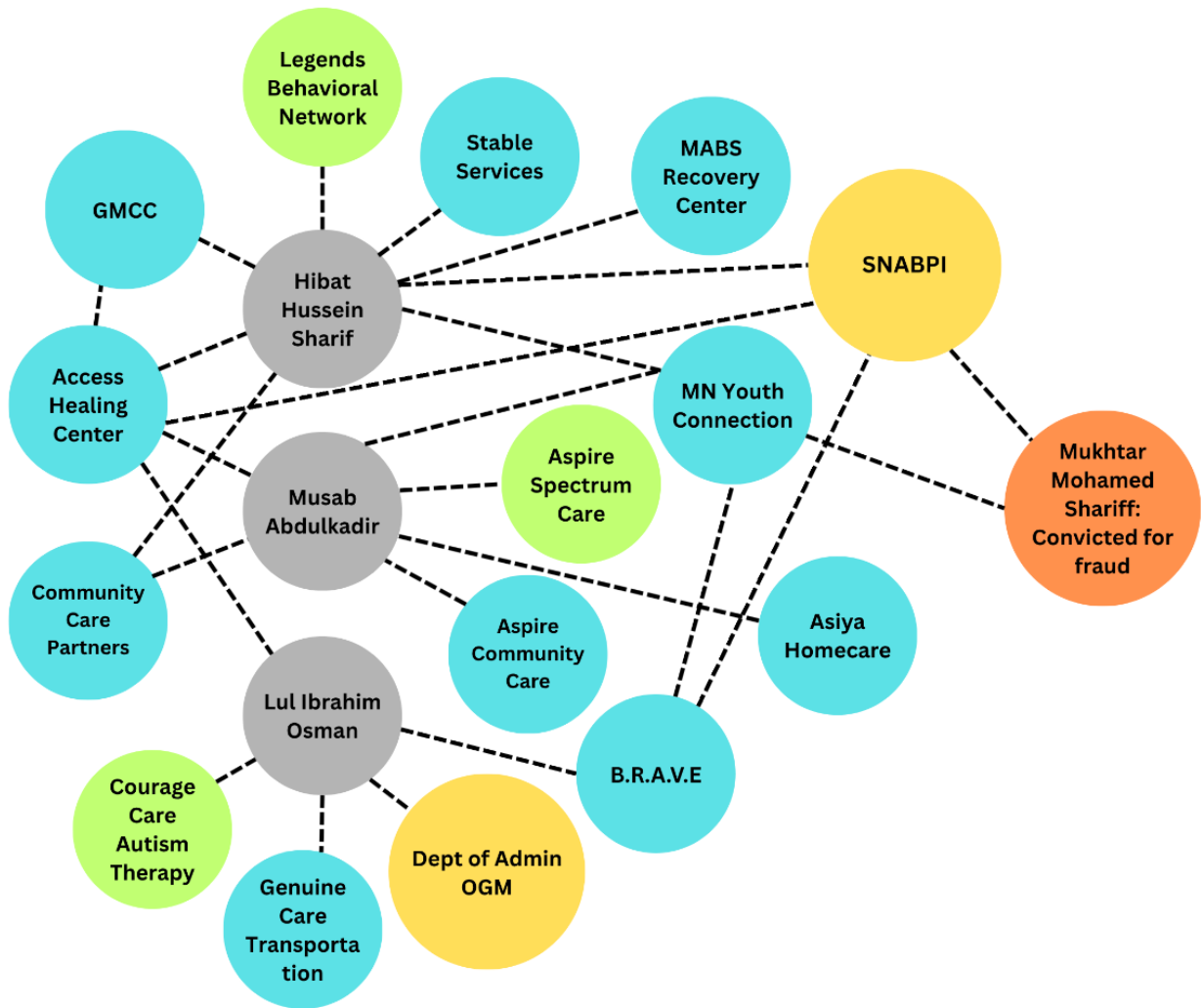
Our investigation made similar findings regarding Access Healing Center as did Kare 11.¹¹³ It found whistleblower tips that alleged abuse, poor programing, falsified billing records, and attempts to dissuade a client to not contact DHS regarding maltreatment in the facility. Access Healing Center also has ties to the non-profit Greater Minneapolis Council of Churches for which Sharif is employed as a program director.

The Committee reached out to the Department of Administration with questions about Ms. Osman's employment and what grants she is responsible for overseeing. OGM did respond to our initial request, and we are continuing our investigation. **Ms. Osman and Access Healing Center have not been charged with any crimes**, but the questions raised by whistleblowers, our investigation and the KARE 11 story raise a number of red flags that mirror previous patterns we have seen.

We hope DHS and our federal partners are thoroughly investigation all of the interconnected businesses for additional anomalies in billing, ensuring those billed are actually receiving services, and verifying ownership.

¹¹² [A.J. Lagoe, "KARE 11 Investigates: Company Billed Medicaid for Client It Never Met," KARE 11, Nov. 6, 2025.](#)

¹¹³ [A.J. Lagoe, "KARE 11 Investigates: Hidden Ownership Ties, Millions in Medicaid Billing, Allegations of Fraud," KARE 11, Apr. 22, 2026.](#)



Summary

The Legislature created the Management and Budget Office (MMB) and Office of Grants Management (OGM) to provide oversight of executive branch agencies and minimize the risk of fraud. In so doing, it gave MMB and OGM substantial authority to oversee and direct executive branch actions. Given the significant expansion in the number of programs and the growth in the state budget under the Walz Administration, these roles are a critical part of Minnesota’s defense against fraudsters.

Unfortunately, the leaders of MMB and the Dept. of Administration, where OGM is housed, have utterly failed in their duties to the citizens of Minnesota. They viewed their role as supportive consultants, rather than providing actual oversight of internal controls in state agencies and grant programs.

This is willful neglect of their statutory responsibilities, and Minnesotans have suffered as a result.

Nineteenth Meeting - Periodic Data Matching (PDM)
Hearing Date: Monday, March 9, 2026¹¹⁴

Background

While secret recordings and FBI raids are of great importance and make headlines, a key learning from the many hearings and investigations done by our Committee is that process and internal controls might matter even more. Perhaps the best example of this is the story of Periodic Data Matching (PDM). PDM is an eligibility verification tool which the Department of Human Services (DHS) is supposed to use on annual basis to check if people receiving Medicaid benefits are actually eligible. PDM uses existing databases to check matters such as recipient location, whether the recipient is alive, income status, and other data.

Through its investigations and hearing, the Committee learned that DHS had completed its mandated PDM report only twice in its history, and not since 2020. At the hearing, the Committee pressed DHS to fulfill its statutory obligation to release a PDM report as soon as possible. Members of the Committee pointed out that DHS' failure to conduct a basic oversight practice may have allowed tens of thousands of Minnesotans to improperly receive benefits. This, in turn, has may cost Minnesotan tens of millions of dollars.

The Committee is pleased to report that its public pressure forced DHS to finally conclude a PDM exercise on March 20, 2026. DHS found that 31,529 ineligible Minnesotans were receiving benefits and were subsequently removed from the rolls.

As a new federal requirement that Medicaid eligibility renewal occur every six months comes into effect, the Committee believes that DHS must act more aggressively to safeguard taxpayer money. Using modern tools and technology to more frequently evaluate eligibility provides the opportunity to pay out less benefits to ineligible individuals.

Note: DHS leadership was invited to attend this hearing to answer questions regarding why the agency has failed to conduct statutory-required PDM reports, but it declined to attend. However, DHS leadership attended a Ways and Means hearing in the same room immediately following the hearing.

Finding: Periodic Data Matching has successfully removed tens of thousands of ineligible recipients, reducing the risk of fraud.

In 2015, the legislature required DHS to conduct the PDM process every year.¹¹⁵ The new law also required the agency to provide an annual report to the legislature stating the number of individuals flagged for potential ineligibility and the number of individuals actually terminated by DHS as a result of this process.

¹¹⁴ [YouTube video, House Fraud Prevention and State Agency Oversight Policy Committee 3/9/2026.](#)

¹¹⁵ [Minnesota Statutes section 256B.0561](#)

Following the implementation of PDM in August of 2018, DHS published its first review in September of 2019.¹¹⁶ As a result, 22,990 individuals had coverage terminated from MA and MinnesotaCare in a ten-month period. In their second PDM report published in August of 2020, 18,900 had coverage terminated in a seven-month period.¹¹⁷ Clearly, the PDM process is a powerful tool to lessen the possibility of fraud and to ensure that only eligible people receive Medicaid dollars.

Finding: DHS has failed to conduct mandatory PDM reports since COVID. The Walz Administration has fought this integrity effort since its inception.

During the COVID-19 pandemic, Congress passed the Families First Coronavirus Response Act (2020). One provision required states to provide “continuous coverage” for Medicaid recipients in order to receive enhanced federal funding. This meant states generally could not terminate Medicaid eligibility for most reasons during the emergency, which had the effect of pausing PDM.

In 2021, the legislature suspended PDM for one year following the end of the federal public health emergency. Since the public health emergency ended in 2023, PDM should have re-started in May of 2024. However, in 2023, the legislature required DHS to wait twelve months after the start of eligibility renewals to reinstate PDM. In May of 2024, DHS announced the resumption of PDM in a bulletin,¹¹⁸ but DHS proceeded to miss two reporting deadlines on September 1st, 2024 and September 1st 2025 without giving an explanation.

The Committee heard testimony from former Speaker Kurt Daudt, who described the difficulty the Legislature had in enacting PDM in 2015:

Former Speaker Daudt: “Not only did the administration fight me tooth and nail on not wanting to put this into statute, but once we did get it into statute, it took four years to implement the program... There are many other states that do this, many of them don’t need legislation to compel the administration to do this sort of check. This is just common-sense stuff.”

Speaker Daudt described that former Governor Dayton’s administration strongly opposed PDM, but ultimately accepted the provision in budget negotiations. Following its passage, the Dayton and Walz Administrations slowed implementation of PDM for four years, allowing tens of thousands of ineligible Minnesotans to fraudulently claim Medicaid benefits.

Former Speaker Daudt: “During the 18 month term this program was in use, 37,552 ineligible people were thrown off of these public programs. They were people who did not qualify, they should not be receiving those dollars. I was shocked to find out that this program had never been reinstated. I started reaching out to folks and found a couple of people who had reached out to the department and gotten excuses as to why it wasn’t or why it was delayed. The reality is very simple. This program has been very successful. It did curb fraud in the State of Minnesota. I will

¹¹⁶ [Minnesota Department of Human Services, Periodic Data Matching Annual Report, Sept. 25, 2019.](#)

¹¹⁷ [Minnesota Department of Human Services, Periodic Data Matching Annual Report, Sept. 1, 2020.](#)

¹¹⁸ [Minnesota Department of Human Services, Bulletin #24-21-05C, “DHS Announces Minnesota Health Care Programs Post-Unwinding Eligibility Policies,” May 21, 2024.](#)

state very clearly, the Walz administration is currently defying state law to allow fraud to happen, and this is a prime example.”

Summary:

While Periodic Data Matching is a good idea, *and the law*, it also just good governance. Given the widespread and inexpensive availability of data, efforts like PDM should be robustly employed by every administration. Minnesotans want and expect that public dollars will only be spent on people who are eligible. **The intentional decision by the Dayton and Walz Administrations to ignore and slow the implementation of PDM is simply inexcusable.**

The Committee is left with concerns that the Administration want benefits to go to people who are either ineligible or fraudsters. While we hope this is not the case, robust and timely compliance with the new federal six-month PDM requirement will go a long way in dispelling this concern.

We hope future Administrations will join the Committee in diligently and energetically using PDM and other tools to prevent fraud and ensure that only eligible Minnesotans receive benefits.

Fraud Prevention Committee Majority Recommendations

2026 Legislative Recommendations:

1. **Independent Office of Inspector General in Executive Branch** (Norris/Anderson HF1)
2. **Expand statute of limitations on fraud crimes to 10 years** (Meyers, HF 4425)
3. **NonEmergency Medical Transportation (NEMT) providers required to operate vehicles equipped with a global positions system and rear-facing camera, compile information for each trip, and retain recordings for two years** (Robbins, HF 4684)
4. **Criminal penalties for making false statements to or falsifying documents given to the Office of Legislative Auditor and extending the statute of limitations for prosecution of fraud in public programs for ten years** (Robbins, HF 4664)
5. **The Commissioners of DHS or DCYF must disclose an investigation of possible overpayments of public funds to a service provider or recipient or the reduction or withholding of payments within 30 day of a request if the Commissioner has taken action to reduce, suspend or withhold payments to the subject of the investigation and the disclosure will not harm the investigation.** (Robbins, HF 4029)
6. **100% Tax on income obtained through fraudulent means** (Anderson, HF 4950)

Future Legislative Recommendations:

1. **Criminal penalties for providing material support or resources for terrorism** (Robbins, HF 4503)
2. **Providers, vendors, and individuals seeking to receive public money for providing services required to submit proof of operation and finances for the most recent three years** (Robbins, HF 3850)
3. **Use of video surveillance to confirm alternance claims by daycare providers** (West, HF3819)
4. **Creating accountability and consequences for agencies and state employees enabling fraud** (Niska, HF 3395)
5. **Continued submission of a report to the legislature on the use of periodic data matching in medical assistance required** (Schultz, HF 4101)

Additional Recommendations:

Recommendation 1: Increase agencies' investigative and payment withholding authority for individuals and business entities connected to charged or convicted fraudsters.

Through the fraud convictions in recent years, it has become clear that criminals are often not acting alone, and that fraudulent businesses exist within a network of providers, relatives, associates and more.

A clear example can be seen in the case of Gandi Mohamed, who pled guilty to his role in the Feeding Our Future fraud scheme in April 2026. For Mohamed, fraud was a family business, in which he held the role of "landlord" as his friends and family pretended to serve children meals out of a building he owns and gave him proceeds as "rent" to launder the money.

In December of 2025, the Committee exposed that Mohamed is also the property owner of five properties used as taxpayer-funded assisted living facilities operated by family members and associates. DHS stated that they did not believe they have authority to take action against the assisted living facility operators since Mohamed was just a “landlord” and was not providing the services, despite the fact that as the “landlord” he was receiving taxpayer funds.

Recommendation 2: Require agencies to proactively report fraud concerns, certain billing trends, oversight gaps and updates on OLA recommendations.

In the committee’s hearing EIDBI (Autism) centers, Members were frustrated to learn DHS had waited for over a decade to request additional tools to combat fraud in the program, citing a lack of authority given to them by the Legislature. State agencies should proactively tell legislators where they lack oversight of programs or gaps in statute, even if they don’t have specific language to address gaps available yet.

The Majority recommends a mandated biennial report from each agency, by program, to the Governor, the new Executive Branch OIG, the OLA, and the Legislature. The report should identify any gaps in statute or any tools needed to enhance oversight of public programs under their jurisdiction. The report should also include an update on every OLA recommendation in public programs or grant programs under their jurisdiction.

Building on the O’Malley Report recommendations, **agencies should incentivize and reward employees who identify gaps in oversight tools and statute and contribute to this report.** Frontline workers know many of the gaps exist but are often afraid to raise them out of fear of retaliation.

Recommendation 3: Technology Modernization and the use of AI to detect patterns of irregularity in billing and grants.

The Committee heard testimony in a number of hearings, including in the Governor’s fraud prevention proposals, that the technology counties use to administer welfare programs is so outdated it actually contributes to errors and makes it hard to detect fraud.

We support modernizing technology and incorporating the use of AI to detect billing abnormalities, flag interconnected providers or providers in multiple program areas, and track increases in payments or enrollment that exceeds projections for further investigation.

While this will require significant state investment, we expect that it will pay for itself by reducing fraudulent payments and increasing employee productivity, possibly even reducing the FTEs.

Recommendation 4: Require electronic attendance records for childcare, adult day care, sober homes, autism centers, NEMT, ICS, and other billable services. Records must be submitted and approved biweekly, before payments can be made.

During the Committee’s hearing on Non-Emergency Medical Transportation (NEMT), testimony was given about the need to use cameras and GPS or telematics tracking to identify and prosecute fraud. HF4648 (Robbins) would implement this recommendation.

During the Committee’s hearing on CCAP, testimony was heard from a former fraud investigator at DHS discussing the value of video surveillance to confirm alternance claims by providers. HF3819 (West) would implement this recommendation.

During the Committee’s hearings on Feeding Our Future, NEMT and CCAP, there was testimony in support of using electronic attendance records and discussion of withholding payments until attendance at appointments, childcare or meal sites was verified.

Recommendation 5: The state of Minnesota cannot rely on attestation when enrolling providers Medicaid programs. We must have documentation and in-person site visits, not attestation, before providers can start billing state programs.

In multiple hearings we heard testimony that the low barriers to entry in many of these public programs has made it Minnesota a “mark” for criminals seeking to defraud public programs. There have been numerous stories by investigative journalists, and our own Majority staff, which show providers billing for services out of non-existent addresses or locations that could not possibly provide the level of service being billed for.

The state should not allow a provider to enroll until they have submitted documentation that they have:

- Filed and keep current the proper business filing with the Secretary of State or the proper charitable organization registration with the Minnesota Attorney General;
- Demonstrated financial and operational capacity to participate in public programs;
- Received an *unannounced* in-person site visit;
- All owners/operators are disclosed and have completed a background check to ensure no disqualifications
- All staff meet basic qualifications for providing the services (no 16-year-olds working as “behavioral technicians” to provide autism services)

Recommendation 6: Recipients must submit documentation of eligibility, including proof of citizenship and income verification, before they are enrolled in state or federal programs.

Recommendation 7: Prohibit providers that provide housing within their setting from subleasing units to clients for less than what the provider pays or fair market value. Verify rental agreements.

In 2025, the Minnesota Legislature passed language explicitly prohibiting kickbacks in the form of discounts in rent for a client enrolling to receive services from a provider. The Committee recommends further clarifying what would constitute a discount and strengthening the agency’s ability to verify transactions for housing.

Recommendation 8: Criminal Penalties and permanent disqualification from providing services for providers who prey on service recipients. Require agencies to follow-up on reports of sexual harassment or misconduct within 1 business day of receipt.

Recommendation 9: Agencies should keep accurate logs of whistleblower complaints and/or hotline reports and log responses. Email/hotline logs should be reported annually to the Commissioner and relevant department heads, as well as the to the Chair & Ranking Members of the Committees of jurisdiction.

A whistleblower reported seeing emails to DHS from vulnerable citizens who reported being asked for sexual favors in exchange for stable housing or other needed services. She further reported that the general response to these serious allegations was a form letter of how to get help from other agencies.

Recommendation 10: Cap the amount programs or individual benefits can grow each year and monitor the growth in demand versus the growth in provider capacity.

As was noted in the hearing on Adult Day Services, the number of providers grew by 43% while the number of recipients grew 7% over the same period. Safety net programs that are intended to provide temporary assistance should not be allowed to grow unchecked.

Recommendation 11: Require MMB to evaluate duplicative programs or services across the enterprise.

As we learned during our hearing with Minnesota Management and Budget (MMB), that agency has statewide responsibility for internal controls but does not see its role as enforcing those policies. Rather, they see their role as “supporting” agencies in their mission.

One of the most important contributions MMB could make to fulfill budget management function is to do an in-depth analysis of all programs that provide similar services – within and across agencies. Once we understand how many duplicative or similar programs exist, they should recommend eliminating and consolidating these programs, which will save taxpayer dollars, make the system easier to navigate for recipients, and eliminate multiple layers of employees performing relatively the same function in different programs.

For example, Minnesota currently has four programs that help address housing stability for at-risk populations (down from five after the closure of Housing Stabilization Services):

- Customized Living
- Assisted Living
- Community Residential Services
- Integrated Community Supports (ICS)

Evaluating where these and similar programs overlap and how they could be streamlined should be a top priority.

Recommendation 12: Ensure independent assessment of service needs for new clients across all programs.

In the hearing on fraud in the EIDBI (Autism) program, we learned that the person CMDE assessor who evaluates the child and recommends the level of services needed is often an owner of the business providing the service, thus they are incented to recommend the maximum services to increase billing.

Similarly, whistleblowers have reported that county case managers sometimes approve higher-than-necessary service levels so providers can bill the maximum amount. They reportedly maximize the service recommendation either out of friendship with the provider, because they get a kickback, or because they don't see a negative consequence – it is just “free money” so why not recommend the maximum?

We need to ensure that those approving the service levels that can be billed are qualified to evaluate the needs and their compensation is not tied to the billable services.

Recommendation 13: Require providers to disclose ownership or management interests in any company that bill public programs and require DHS to maintain a “master list” of all providers with multiple owners and all owners with stakes in multiple companies that provide taxpayer funded services.

The Majority identified several interconnected webs of ownership and relationships that raised multiple red flags. Although DHS testified that they had scrutinized all of the Feeding Our Future defendants for ties to other programs, they couldn't name any and didn't seem aware of those we pointed out.

The OLA reports mentioned failures by providers to disclosure all ownership partners as a red flag.

Recommendation 14: Mandate reports on grant utilization at regular intervals to relevant Committee Chairs and Leads.

In the hearings and through whistleblower reports, we learned that not all grants are fully subscribed. Rather than returning the money to the General Fund, agencies will sometimes request extensions or expansion of eligibility.

How agencies “market” grant opportunities should also be reported and analyzed. There is concern that grants are often going to people or non-profits “in the know” or with ties to agencies officials, rather than being truly open to all qualified applicants.

Recommendation 15: Establish penalties or require reporting to committee of jurisdiction if a mandated report is missed. MMB should post on its website a list of all mandated reports, due dates and whether or not the reports were submitted and the date submitted. Failure to submit reports on time should result in a reduction in agency administrative fees/budgets by 1% for every month they are late.

As of March 2026, the Majority was aware of at least 28 mandated reports that have not been submitted to the legislature. This is a violation of law, and the Legislature should not tolerate it.

Recommendation 16: The Legislature should create agency “stop-payment” mechanisms that automatically kick in when a program budget increases by 50% over the previous year.

Former Speaker Kurt Daudt raised this during our hearing on March 9, 2026. The Legislature should have a circuit breaker mechanism to halt additional payments going out from agencies for programs that increase exponentially. This trigger, which would immediately stop payment when spending grows by more than 50% of the previous year, would incentivize the oversight taxpayers deserve and expect. Programs cannot grow on autopilot without anyone noticing because agencies will face a consequence for poor management.

If the stop-payment mechanism is triggered in a particular program, the program manager will be forced to come to the Legislature to testify why the exponential growth is happening and to request the stop-payment mechanism be lifted when the Legislature is satisfied that the issue has been resolved.

Recommendation 17: Every budget cycle the agency must submit a budget document that shows year-over-year growth in each program. Similarly, all budget spreadsheets submitted by the Legislative Budget Office (LBO) during Finance Committee budget hearings and Ways and Means hearings must contain columns adjacent to the proposed spending columns for the Governor’s budget, the House proposal and the Senate proposal, which show the amount spent in the previous budget and the percent increase since the previous budget.

We should not just write blank checks to agencies – we need to have a full accounting of every dollar appropriated and they’re allowed to only spend what is appropriated and no more.

Chair Robbins has been asking LBO to update the spreadsheets with year-over-year comparisons and percentage increases or decreases for 8 years. It is impossible to make sound budgeting decisions when the “base amount” is taken as the starting point and Legislators are not even given the actual amount appropriated in the previous biennium.

Programs should be justified every biennium to ensure that they’re operating within the statute and effectively performing their intended function or service.

Recommendation 18: At minimum, the annual internal controls certification process employed by MMB should require agencies to analyze the growth in spending, providers and recipients versus what had been anticipated by the fiscal note or budget. Any anomalies should be flagged and reported to the Governor and committees of jurisdiction in the Legislature.