

**Statement of DFL Members of  
2025-2026 Fraud Prevention & State Agency Oversight Committee  
May 15, 2026**

Fraud in any form is unacceptable – and is on the rise throughout our economy and society. Consumers, seniors, and veterans are among the many victims. Fraud by private actors on our public programs is particularly pernicious, as it hurts not only the vulnerable people whom these programs serve but also all of us who fund those programs. A single wasted taxpayer dollar, and a single Minnesotan deprived of support, is unacceptable.

### **How We Got Here**

When the Fraud Prevention and State Agency Oversight Committee was established under Republican control pursuant to this term’s power-sharing agreement, we were hopeful that it would be a constructive opportunity to address this very serious issue. In a tied House and closely-divided Legislature, real progress requires bipartisan collaboration.

Minnesotans have seen this collaboration in multiple other House committees, which passed meaningful anti-fraud legislation both in 2025 and this year. These bills (many of which are now laws) built on important work in past years, including in 2023-2024 (see Fraud Prevention Measures Enacted). They have improved oversight and transparency, hired more investigators, cleaned up grant management, held fraudsters accountable, committed to making major investments in the modernization of the ancient systems that facilitated fraud, and created an Office of the Inspector General. We have always, and will always, take this issue extremely seriously – even if the other side of the aisle does everything they can to spread a partisan narrative.

### **Partisan Spectacle, Not Policy Solutions**

Unfortunately, the Republican leaders of the Fraud Prevention committee chose a different path than those other committees – one of partisan spectacle rather than policy solutions.

On the committee’s first day, the chair and House Republican leadership sent a letter asking U.S. Attorney General Pam Bondi to “investigate the Walz administration.” The committee then made good on its own request, repeatedly bringing in the same Minnesota executive branch officials over and over again. It uncovered no new wrongdoing on its own but rather regurgitated the sound investigative work of local media, the Office of Legislative Auditor (OLA), and state and federal law enforcement. Throughout, it also relied heavily on right-wing sources such as Alpha News, Center of the American Experiment, and the committee chair herself – in too much of its work, the Fraud Committee seemingly cared more about wild speculation than evidence.

Critically, the committee’s focus was not on policy solutions to prevent, identify, or investigate fraud, nor on how to hold those who commit fraud accountable. By the choice of the Republicans in charge, only one of the hundreds of anti-fraud bills introduced this term passed through the committee. Indeed, over two years, committee members took a grand total of three votes. One was for that bill (HF 3542), a minor one which advanced no further. A second vote came less than two weeks before the session ended, when the chair abruptly announced – only the day before – that she wanted documents from Congresswoman Ilhan Omar and sought a subpoena. The final vote was on a purported “committee report” discussed more below.

Even more, some of the committee's tactics may well have hindered the fight against fraud. At the start, its Republican leaders established a partisan "portal" (<http://mnhouserepublicans.com/whistleblower-portal/>) to obtain information on potential wrongdoing in public programs. This information was not shared with DFL committee members but was reviewed by partisan staff who are untrained in investigations. By the chair's admission, information from the portal was then withheld from the DHS officials empowered to stop payments – keeping funds flowing to potential fraudsters.

Even worse, it was Republican committee members who encouraged a discredited YouTuber to harass child-care providers in the state, leading to the abuses of Operation Metro Surge and the eventual resignation of multiple federal prosecutors leading the fight against fraud, including the Feeding Our Future cases.

### **The "Committee Report"**

The purported "committee report" posted to the committee's website represents the culmination of its unserious and partisan approach. DFL members requested to provide input on it. It would have been great to have a bipartisan report, based in the facts. Instead, it was posted publicly with less than 24 hours' notice, after having already been signed by Republicans. The chair refused to allow any DFL input on the report or permit any changes.

Fighting fraud is an urgent need. But the "report" was released just days before adjournment – long after it could possibly have impacted legislative action in either session. On the other hand, it is notable that it was released right at the start of campaign season. The contents of the document reflect this perspective – it is full of politics and partisanship.

This conclusion is obvious from the first section header alone ("Democrats Have Created a Culture of Fraud"). But the details reveal it as well. To choose just a few of many examples, the "report":

- falsely states (at page 10) that Attorney General Ellison has "prosecuted relatively few Medicaid fraud cases;" in fact, the committee learned that his office has achieved more such convictions than other offices of its size or even larger (see May 5, 2025 hearing presentation);
- misrepresents election law (at page 11), with the claim that marking a voter "inactive" is somehow a sign of fraud, rather than a means to prevent and catch fraud;
- made false, misleading and sensationalistic claims (at page 21) about the Child Care Assistance Program, including that \$100 million is a credible annual estimate of fraud in the program and that program funds were sent overseas to support terrorism (a 2019 OLA report failed to find evidence to substantiate either claim), as well as that the Bureau of Criminal Apprehension was somehow "banned" from the Department of Human Services;
- omits a politically inconvenient detail in its criticism of the Housing Stabilization Services program (page 34) – that the program was authored by a current Republican member of the state House; and
- wrongly states (at page 42) that Optum "flagged an astounding 90% of EIDBI reimbursements as problematic" – when the cited publication states only that 90% of program payments had been reviewed.

Particularly noteworthy is a reference on page 7 to an op-ed citing our assassinated colleague, Melissa Hortman. The document ends a quote misleadingly early, omitting the key phrase “public hearings.” More than this, it omits statements from the op-ed in which our colleague – who is no longer here to speak for herself – expresses supports for the OLA and the fight against fraud. This is legislative malpractice; it’s harmful, and it’s a clear example of the half-truths told in this partisan report to fit a curated political narrative.

### **The Missed Opportunity**

In the serious work of preventing and rooting out fraud from our public programs, the Fraud Prevention committee should have been focused on structural vulnerabilities and the policy reforms and system changes that would eliminate them.

Our state has seen example after example of for-profit providers that have exploited the vulnerabilities and misaligned incentives created by a decades-long push for privatization and outsourcing. We raised this repeatedly in meeting after meeting and requested a hearing on the issue; committee leadership refused to address it.

Services that are outsourced without adequate oversight or accountability standards leave the door open for bad actors to exploit them and enrich themselves. For example, the Feeding Our Future fraud scandal was possible because the provision of meals and the oversight of the provision of those meals were both outsourced to unaccountable and non-transparent private entities. In contrast, we have not seen those problems with the Minnesota Universal School Meals program delivered through our public schools – because lunch ladies don’t commit fraud.

The structural weaknesses created by outsourcing and privatization have been exacerbated by a parallel push to cut funding and staff at state agencies. This in turns weakens the ability of these agencies to oversee the very services that were outsourced. Agencies and OLA have long noted failure by policymakers to provide sufficient resources for program oversight.

Legislators in both parties have understandably prioritized getting support to needy Minnesotans. They have not always paid the same attention to program design and system integrity, especially in a world of increasingly sophisticated fraud schemes and fraudsters that have made public programs their mark. Again, the committee missed the opportunity to address this fundamental need.

It is important to recognize the steps the legislature has taken outside of the Fraud Prevention Committee to fight private provider fraud in our state’s public programs. There remains much more to do to get to the root of the problem. We regret the missed opportunity represented by this committee.

# Fraud Prevention Measures Enacted in 2023-2024

## Extensive Grant Requirements

- Innovative, far-reaching, and comprehensive grant requirements now apply to non-profits and organizations receiving state grants of at least \$50,000.
- The law establishes similar requirements for executive branch agencies, boards, committees, councils, authorities, and task forces making grants.
- Agencies can terminate a grant if the grantee is convicted of a crime related to the grant.
- Individuals and entities who've had certain convictions or have violated previous contracts can be suspended or prohibited from receiving grants or participating in public programs.

## Expansion of Office of Grants Management and New Inspector General at MDE

- Expanded Office of Grants Management within the Department of Administration oversees grants awarded by state agencies and sets policies for managing grants to non-profits.
- The office has issued more than a dozen policies with strict requirements for non-profits before receiving state funding.
- The new Office of the Inspector General at the Minnesota Department of Education has been established to more effectively identify fraud and increase internal controls resources.

## Pre-Award Risk Assessment

- New guardrails include a risk assessment requiring tax returns, current 990s, audit results, evidence of good standing with the Secretary of State, criminal history of principals, and a review of the organization's track record in carrying out similar responsibilities to those outlined in the grant.
- Agencies can delay or deny a grant, demand more information, or create a risk mitigation plan.

## More Detailed Agreements Required

- Agencies must develop written agreements with grantees that specify a project timeline, the organization's duties, reporting requirements, and details about grant payments.
- These guidelines, timelines, and reporting info will help evaluate grantees' financial soundness, verify they are legally incorporated, and help ensure they can manage the grant.

## Mandatory Monitoring

- Agencies must make at least one monitoring visit to the non-profit before final payment.
- State agencies must conduct a financial reconciliation of the grantee's expenditures before final payment.

## Progress Reports

- All non-profits receiving grants of \$25,000+ must submit progress reports to remain eligible for payments. Non-profits with past-due progress reports cannot receive grant payments.
- Agencies must report to the Department of Administration on the purpose for each grant along with a performance evaluation.

## Investing in Oversight

- Lawmakers funded additional staff within Minnesota Management and Budget dedicated to oversight, along with a new Statewide Internal Audit Office.
- The Department of Administration has hired additional staff to provide grant oversight and is conducting a study to determine the necessary staffing and technology for effective statewide grants management.



# Fraud Prevention Measures Enacted in 2025

Fraud in any form — targeting consumers, veterans, small businesses, and government programs — is unacceptable. Public dollars should serve public needs like child care, health care, housing, and more. Fraud is being perpetrated by entities — from giant corporations to small, fly-by-night businesses and private providers — that have made a business model out of stealing from taxpayers and depriving Minnesotans of the services they need to get ahead and live a better life.

The solutions enacted in 2025 build upon years of action to fight fraud, including significant grant oversight measures in 2023-24 and program integrity reforms within the Child Care Assistance Program in 2019. Lawmakers have been taking on — and will continue to take on — the bad actors who cheat Minnesotans out of public resources and steal from Minnesota taxpayers.



## **Bolstering Criminal Enforcement**

- New state law explicitly making kickbacks for referrals or benefits in public programs illegal
- Moved the Commerce Department’s Fraud Bureau to the Bureau of Criminal Apprehension (BCA), giving law enforcement greater capacity to investigate and prosecute complex financial crimes
- The Business Filing Fraud Prevention Act is now law, which empowers the Secretary of State to help business owners identify fraudulent business filings, combat business identity theft, and prevent illicit financial activities

## **Safeguarding Confidence in Services for Children, Families, and Vulnerable Minnesotans**

- A \$13.2 million investment over four years to directly detect, prevent, and address fraud within DHS programs, including pre-payment review tools and support for audits and investigations through the agency’s Office of Inspector General
- New whistleblower protections, empowering state employees who report fraud or misuse across state agencies
- Creation of a certification process for recovery residences (formerly “sober homes”) while enacting a new payment model with stronger oversight, along with health and safety standards and a Residents Bill of Rights
- An \$8.18 million investment over four years in a new electronic attendance and record-keeping system for the child care assistance program (CCAP) to ensure accurate billing
- Two new financial integrity staffers in the Department of Children, Youth, and Families to prevent fraud through enhanced process controls, monitoring, and data analytics
- Stronger Early Intensive Developmental and Behavioral Intervention (EIDBI) oversight, with new licensure requirements for providers, fraud and maltreatment investigative authority for DHS, claim verification processes, and the ability for DHS to temporarily pause on new licenses when the number of applicants exceeds the need for service
- New background study disqualifications for people under active investigation for fraud from holding certain positions in public programs
- A prohibition on duplicative billing for substance use disorder services

# Fraud Prevention Measures Enacted in 2025 *(continued)*

## **Continuing Progress on Grant Accountability**

- Authorization for state agencies to withhold payments when there is evidence that a program participant committed fraud
- Expanded the state's debarment authority to block potential bad actors from receiving grant funding
- Empowered agencies to share relevant data across government entities to identify fraudulent activity faster

## **Strengthened Sunshine Requirements and New Tools for the Legislative Auditor**

- Created a new division for special reviews of compliance and implementation within the Office of the Legislative Auditor
- Requirement for agencies and grantees to publicly post their organizational leadership structures, while expanding the list of individuals required to report to the OLA

## **Improving Education Transparency and Charter School Integrity**

- New requirements for charter schools to publicly post contracts, financial statements, and performance reviews
- Clarified the Minnesota Department of Education's ability to reduce a charter school's state aid if the school makes purchases sidestepping its own procurement policy
- Improved transparency for charter authorizers by requiring them to include MDE's annual performance review findings in their own annual reports and complete department-approved training each year
- Made charter school board members subject to the same gift ban and conflict-of-interest rules as public school board members, and other safeguards, including barring contractors or their families from serving on affiliated boards
- Tightened the integrity of the K-12 tax credit to prevent exploitation by third-party vendors
- Added investigators and legal counsel at MDE
- Improved standards for food program sponsors, including new criteria for nonprofits applying to run multisite programs, governance structure requirements, and ensuring new sites aren't located too close to ones already operating