

COMMENTARIES

Opinion | Minnesota fraud: What is the ‘right’ number?

Dollar amounts were discussed early, and the problems only grew from there.

By Jim Nobles

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First Assistant U.S. Attorney Joe Thompson during a news conference addressing fraud in Minnesota on Dec. 18. (Carlos Gonzalez/The Minnesota Star Tribune)

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The debate about government fraud in Minnesota has recently become a debate about the number. What is the “right” number to use when talking about the size of the fraud? Is it a big number or is it a *really* big number? Gov. Tim Walz was recently offended when the U.S. Attorney used a *really* big number to describe fraud in Minnesota government programs, but it was not clear what number the governor thinks is OK.

Ironically, debate about the number is where the Minnesota fraud issue started. In 2018, a whistleblower said in television interviews and to a Minnesota Senate committee that the Child Care Assistance Program was experiencing \$100 million in fraud annually by Somali-operated child care centers. An official at the Department of Human Service acknowledged there was fraud in the program but said that the \$100 million number was unreasonable. He also acknowledged that the department did not know the “right number.”

The Office of the Legislative Auditor (OLA), which I led at the time, investigated the whistleblower’s child care fraud allegations. On the question of how much had been stolen, we were conservative and only reported amounts established in convictions, which at the time was in the range of \$5 million to \$6 million. However, when we saw how the child care program was being administered, we said the level of fraud was likely higher. For example, we saw documents – paper attendance sheets filled out by child care staff and used to claim payments from the state – that were suspect on their face. Yet the state paid the claims without any independent verification of how many children had been served. This permissive approach made it easy for fraudsters to steal.

Prosecutors told us that the state’s permissive administration also made it harder to convict. Fraud convictions typically had to rely on covert video surveillance by law enforcement to show how many children actually attended a day care center on a given day, and that type of surveillance is hard to obtain and subject to challenge. In one case we reviewed, even with surveillance tapes, a conviction was not obtained because of a holdout juror.

We now know that the fraud scheme used in the state’s child care program has been used frequently in other state human service programs. Once the scheme was used repeatedly, it is hard to understand and even harder to justify why the state did not design a strategy to stop it. All the state needed was to implement standard financial controls and oversight. Why the Walz administration did not do that is still a mystery, and it is disturbing.

It is also a mystery and disturbing why Walz is debating the number used to discuss the fraud problem in Minnesota when it is clear the number has grown into a large number and is likely a *really* large number. Rather than debate and criticize the U.S. Attorney, the governor should give the people of Minnesota an honest explanation of why fraud was

allowed to grow under his administration, and he should apologize for his administration's negligence. Finally, it must also be said that the governor's criticism of the U.S. Attorney's Office lacks credibility since it is that office – not any state office – that has brought accountability to those who stole money from Minnesota taxpayers and robbed Somali children and families of the services they need.

Jim Nobles was Minnesota's legislative auditor for 38 years, retiring in 2021.



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