

**MEMO** *Published February 17, 2026 · 6 minute read*

# Learn from Minnesota: How to Combat Program Fraud

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When fraud takes root inside programs meant to protect the vulnerable, it doesn't stay small or quiet. It spreads, corroding public trust, and ultimately putting the future of those programs at risk. That's why Minnesota's recent wave of social services fraud should be a warning sign for policymakers who want strong social programs everywhere: if we don't take real fraud seriously and fix the vulnerabilities that enable it, the fraud will metastasize into a much bigger policy and political problem.

Over the past five years, criminal fraud networks exploited Minnesota's social services. As a result, federal prosecutors say more than \$1 billion has been stolen across three major plots.<sup>1</sup> The scandal first burst into public view in 2022 with the pandemic-era "Feeding Our Future" case, in which federal prosecutors alleged providers billed for meals for tens of thousands of children that largely were never served. Since then, prosecutors in 2025 uncovered additional schemes. One involves a housing support program where providers allegedly billed government programs for services not delivered. In another, an autism therapy scheme involving false certifications resulted in millions of dollars lost.

Policymakers who support a strong federal safety net need to ensure those vital programs are working as intended. This memo explains that systemic vulnerabilities can create a target-rich environment for sophisticated fraud. We then offer "do's" and "do not's" to better prevent fraud with prescribed guardrails that strengthen the integrity of public programs without resorting to blunt "crackdowns" or politically-motivated overreach.

## **Systemic Issues Left Minnesota Vulnerable to Fraud**

A few key conditions contributed to fraud in Minnesota's social services programs:

- Rapid expansion of spending programs and the corresponding providers of services
- Pressure to prioritize access to benefits and speed of delivery
- Verification that happened after payment
- Oversight capacity that didn't scale with program growth
- Fragmented accountability across agencies and contractors.<sup>2</sup>

State legislative audits identified high fraud risk and inadequate quality controls, including a grant-making state agency not keeping records of site visits.<sup>3</sup> Some of the issues were long-standing and had been flagged as early as 2003.<sup>4</sup>

Federal prosecutions in the Biden Administration uncovered large and sophisticated fraud networks. In the case of Feeding Our Future, a nonprofit claimed to serve meals to children,

but there was minimal verification of meal counts and site activity. Investigators later found that one location claimed 6,000 meals a day when actual attendance averaged around 40.<sup>5</sup> The owners of the feeding sites claimed to serve nearly 90 million meals between 2020 and 2021, and **the weak oversight environment allowed fraud to continue for years.**<sup>6</sup> Fraud in that case could exceed \$350 million.<sup>7</sup>

The structure of federally-supported human services programs allowed for gaps that fraudsters exploited. In the case of the Housing Stabilization Services (HSS), which was created in 2020 as a Medicaid benefit to help seniors and people with disabilities find and maintain housing, some companies signed up people in treatment facilities without actually providing meaningful housing help.<sup>8</sup> Two defendants came from out of state after hearing the program was “easy money,” suggesting that low barriers to enrollment and weak documentation standards contributed to “fraud tourism.”<sup>9</sup> In the case of the autism services fraud, incentives were tied to the volume of billable services, leading providers to enroll more children and generate more claims to profit from.<sup>10</sup>

Experts flag that “Pay-first, verify-later” reimbursement models may have been a core vulnerability. Millions of dollars were paid out for fraudulent autism services that were not delivered, or in the case of one provider, were delivered by unqualified 18- and 19-year-old workers.<sup>11</sup> **These three major fraud stories in Minnesota all involved the government paying out funds largely based on self-reported claims without independent verification.**

## Lessons to Limit Fraud

Minnesota offers a number of lessons for lawmakers and others looking to strengthen federal programs. Specifically, here are six things that policymakers **should do** to limit fraud:

1. **Stronger pre-payment verification for federally funded programs.** Policymakers should require baseline pre-payment eligibility checks and provider verification, such as licensing validation, ownership transparency, and conflict-of-interest checks. Appropriations bills could provide funds with conditions that states must certify pre-payment controls are in place. They could also withhold funding so that states are paid when guidelines are met.
2. **Tighter eligibility checks.** States should have higher scrutiny for new providers or providers deemed high risk.<sup>12</sup>
3. **Redesign reimbursement structures.** Policymakers should require Government Accountability Office (GAO) or Office of Inspector General (OIG) reviews of reimbursement models across states and require agencies to publish improper payment vulnerability assessments that examine how programs might attract bad

actors or misspend funds. Policymakers could then suggest that states maintain minimum staffing or capacity benchmarks relative to program size.

4. **Tie federal funding to minimum state oversight standards and apply to all states.** Policymakers should tie a portion of funding to implementation of audit recommendations and mandate risk assessments when programs expand rapidly. Appropriations bills should set aside funds specifically for program integrity and oversight functions, requiring agencies to report how much funding is spent on oversight compared to benefits, and require annual reporting on payment error rates as a funding condition.
5. **Increase federal audit authority or conditional funding triggers.** Policymakers should require states to submit corrective action plans following adverse audits as a condition of continued participation and clarify federal authority to intervene when states fail to address known risks.
6. **Enhance whistleblower protections tied to federal funds.** Federal whistleblower protections should be extended for state employees and contractors administering federal funds. Policymakers should suggest states maintain independent reporting channels tied to federal agencies and mandate anti-retaliation certifications tied to funding eligibility. Appropriations bills should further condition funds on whistleblower protection policies and training and fund independent ombuds or compliance offices.

In addition, there are three things that policymakers **should not do**:

1. **DO NOT ignore the fact that fraud harms trust and makes it harder to fund programs meant for people in need.** Waste, fraud, and abuse are real problems in federal social safety net programs. There are billions of dollars in improper payments every year.<sup>13</sup> When the government loses trust from the public that taxpayer dollars are being spent responsibly, and voters believe that every program is fraudulent, it makes it easier for those who want to actually limit or cut these programs to argue for funding cuts.
2. **DO NOT undermine the social safety net with crackdowns that punish legitimate beneficiaries and providers of services.** The Trump Administration has reacted to fraud in Minnesota by claiming rampant fraud in states controlled by Democrats.<sup>14</sup> These claims are being used to wage partisan warfare in the name of good government.<sup>15</sup> But in doing so, the victims are not national—or state-elected—officials, but the taxpayers on the ground who deserve these government services.
3. **DO NOT rely on permanent pay-and-chase models of fraud crackdown.** It is far better to stop fraud before it happens rather than spend time, energy, and money to

get the funds back. Policymakers should be spending their efforts on prevention. Research has shown that increasing lawful compliance and deterring fraud could yield savings that are at least twice as large as merely “paying and chasing.”<sup>16</sup> It is possible with the right tools.<sup>17</sup>

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## ENDNOTES



1. Public reporting and statements from federal prosecutors indicate that alleged fraud losses across multiple Minnesota social-services programs may exceed \$1 billion in aggregate, including the Feeding Our Future child nutrition case and later housing stabilization and autism services schemes. Confirmed losses in individual cases are smaller, but authorities have consistently characterized these prosecutions as uncovering only a subset of broader fraud networks.

For more information, see Associated Press, “Feeding Our Future fraud case: What we know,” Associated Press, 2025–2026, <https://apnews.com/hub/feeding-our-future>. Accessed 10 February 2026. And; United States Department of Justice, “Federal Charges Unsealed in \$250 Million Feeding Our Future Fraud Scheme,” United States Department of Justice, 20 September 2022, <https://www.justice.gov/opa/pr/federal-charges-unsealed-250-million-feeding-our-future-fraud-scheme>. Accessed 10 February 2026. And; Williams, Brandt, “From Feeding Our Future to autism services: prosecutors describe web of fraud schemes,” *MPR News*, 24 September 2025, <https://www.mprnews.org/story/2025/09/24/feeding-our-future-fraud-case-autism-treatment>. Accessed 10 February 2026.

2. United States House Committee on Oversight and Government Reform, “Oversight of Fraud and Misuse of Federal Funds in Minnesota: Part I,” United States House Committee on Oversight and Government Reform, 7 January 2026, <https://oversight.house.gov/hearing/oversight-of-fraud-and-misuse-of-federal-funds-in-minnesota-part-i/>. Accessed 10 February 2026.

- 3.** Roth, Ellie, “Audit Finds Weak Oversight, Fraud Risk in DHS Grants,” Minnesota Public Radio, 6 January 2026, <https://www.mprnews.org/story/2026/01/06/audit-finds-weak-oversight-fraud-risk-in-dhs-grants>. Accessed 10 February 2026. And; Office of the Legislative Auditor, *Department of Human Services: Behavioral Health Administration Grants*, Financial Audit Division, State of Minnesota, 6 January 2026, <https://www.auditor.leg.state.mn.us/fad/pdf/fad2601.pdf>. Accessed 10 February 2026.
- 4.** Swanson, Kirsten, “In Minnesota, Legislative Audits Warned of Poor Internal Controls in State Programs,” *KSTP.com 5 Eyewitness News*, 3 January 2026, <https://kstp.com/tracking-your-tax-dollars/in-minnesota-legislative-audits-warned-of-poor-internal-controls-in-state-programs>. Accessed 10 February 2026. And; Office of the Legislative Auditor, *Controlling Improper Payments in the Medical Assistance Program*, Program Evaluation Division, State of Minnesota, 20 August 2003, <https://www.auditor.leg.state.mn.us/pe/2003/pe0307.htm>. Accessed 10 February 2026.
- 5.** Sepic, Matt, “Feeding Our Future by the Numbers: 4.4M Documents, 90M Meal Claims and 1,200 Subpoenas,” Minnesota Public Radio, 12 February 2025, <https://www.mprnews.org/story/2025/02/12/feeding-our-future-by-the-numbers>. Accessed 10 February 2026.
- 6.** Sepic, Matt, “Feeding Our Future by the Numbers: 4.4M Documents, 90M Meal Claims and 1,200 Subpoenas,” Minnesota Public Radio, 12 February 2025, <https://www.mprnews.org/story/2025/02/12/feeding-our-future-by-the-numbers>. Accessed 10 February 2026.
- 7.** Halter, Nick, “Feds: Fraud Total Could Top \$9 Billion,” *Axios Twin Cities*, 19 December 2025, <https://www.axios.com/local/twin-cities/2025/12/19/feds-fraud-total-could-top-9-billion>. Accessed 10 February 2026.

- 8.** Griffith, Michelle, “U.S. Attorney Charges Eight With Wire Fraud in Minnesota Housing Stabilization Program,” *Minnesota Reformer*, 18 September 2025, <https://minnesotareformer.com/2025/09/18/u-s-attorney-charges-eight-with-wire-fraud-in-minnesota-housing-stabilization-program/>. Accessed 10 February 2026. And; Gottfried, Mara H., “Feds Uncover ‘Massive’ Medicaid Fraud in Minnesota Housing Program,” *Governing*, 17 July 2025, <https://www.governing.com/management-and-administration/feds-uncover-massive-medicaid-fraud-in-minnesota-housing-program>. Accessed 10 February 2026.
- 9.** Sepic, Matt, “Minnesota Fraud Charges Unveiled by Feds in ‘Staggering’ Medicaid Scam,” *MPR News*, 18 December 2025, <https://www.mprnews.org/story/2025/12/18/minnesota-fraud-new-charges-medicaid-scam>. Accessed 10 February 2026. And; United States Department of Justice, “Six Additional Defendants Charged, One Defendant Pleads Guilty in Ongoing Fraud Schemes,” U.S. Attorney’s Office, District of Minnesota, 18 December 2025, <https://www.justice.gov/usao-mn/pr/six-additional-defendants-charged-one-defendant-pleads-guilty-ongoing-fraud-schemes>. Accessed 10 February 2026.
- 10.** United States Department of Justice, “Six Additional Defendants Charged, One Defendant Pleads Guilty in Ongoing Fraud Schemes,” U.S. Attorney’s Office, District of Minnesota, 18 December 2025, <https://www.justice.gov/usao-mn/pr/six-additional-defendants-charged-one-defendant-pleads-guilty-ongoing-fraud-schemes>. Accessed 10 February 2026.
- 11.** United States Department of Justice, “Six Additional Defendants Charged, One Defendant Pleads Guilty in Ongoing Fraud Schemes,” U.S. Attorney’s Office, District of Minnesota, 18 December 2025, <https://www.justice.gov/usao-mn/pr/six-additional-defendants-charged-one-defendant-pleads-guilty-ongoing-fraud-schemes>. Accessed 10 February 2026.
- 12.** The U.S. Department of the Treasury’s (Treasury) Financial Crimes Enforcement Network issued an alert in January to urge financial institutions to identify and report fraud associated with federal child nutrition programs, with specific red-flag indicators for newly-established companies or organizations. Among these indicators is suddenly receipt of a significant number of reimbursements in a short timeframe.

See Financial Crimes Enforcement Network, “*FinCEN Alert on Fraud Rings and Their Exploitation of Federal Child Nutrition Programs in Minnesota*, FIN-2026-Alert001,” Financial Crimes Enforcement Network, 9 January 2026, <https://www.fincen.gov/system/files/2026-01/FinCEN-Alert-Federal-Child-Nutrition-Programs.pdf>. Accessed 10 February 2026.

- 13.** United States Government Accountability Office, “Federal Government Made an Estimated \$162 Billion in Improper Payments Last Fiscal Year,” U.S. Government Accountability Office, 11 March 2025, <https://www.gao.gov/blog/federal-government-made-estimated-162-billion-improper-payments-last-fiscal-year>. Accessed 10 February 2026.
- 14.** Jeong, Andrew, “Judge Blocks Trump Administration From Freezing \$10 Billion in Federal Child Care Funds,” *The Washington Post*, 10 January 2026, <https://www.washingtonpost.com/nation/2026/01/10/trump-childcare-funds-minnesota-california/>. Accessed 10 February 2026. And; Mulvihill, Geoff, “Feds can’t withhold social service funds from 5 Democratic states amid fraud claims, judge rules,” Associated Press, 6 February 2026, <https://apnews.com/article/social-service-funds-trump-democratic-states-536a40afc6abca52bd9a660196394333>. Accessed 10 February 2026.
- 15.** Ballou, Brendan, “Statement for the Record: *Oversight of Fraud and Misuse of Federal Funds in Minnesota*,” United States House Committee on Oversight and Government Reform, 7 January 2026, <https://oversight.house.gov/wp-content/uploads/2026/01/Ballou-Written-Statement.pdf>. Accessed 10 February 2026.

Testimony by Ballou, a former federal prosecutor, expresses concern that fraud will make it harder to fund social services programs in the future. He also cites a fear of “selective interest” in fraud and outlines several instances of the Trump administration dismantling anti-fraud tools to benefit its allies.

- 16.** Leder-Luis, Jetson, Corinne Andriola, and Gabriela Gracia, *Measuring the Value of Healthcare Anti-Fraud Efforts*, Healthcare Fraud Prevention Partnership, May 2024, <https://www.cms.gov/files/document/measuring-value-healthcare-anti-fraud-efforts.pdf>. Accessed 10 February 2026.

17. The Pandemic Response Accountability Committee has built data analytics capabilities from pandemic oversight that can help detect fraud across other federal programs, including billions of records that can be used to flag patterns indicative of fraud before money is paid out. PRAC and the GAO have also touted the use of AI, machine learning, and network analytics to analyze large datasets quickly to spot suspicious activity. The U.S. Treasury Bureau of the Fiscal Service could also play an expanded role—including the use of its Do Not Pay tool—but it may need greater access to authoritative databases like IRS or SSA to fully verify identities and prevent improper payments before they occur.

See: United States House Committee on Oversight and Government Reform, “Curbing Federal Fraud: Examining Innovative Tools to Detect and Prevent Fraud in Federal Programs,” United States House Committee on Oversight and Government Reform, 13 January 2026, <https://oversight.house.gov/hearing/curbing-federal-fraud-examining-innovative-tools-to-detect-and-prevent-fraud-in-federal-programs/>. Accessed 10 February 2026..