



Making Sense of Fraud Scandals: County Responsibility, Programs, and Impacts

Dakota County Board
Community Services Committee
January 13, 2026

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Meeting Goals



Shared understanding of:

- Funding sources
- Services impacted by fraud-related concerns
- County's role in fraud investigation
- Impacts on clients, providers, and the community

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Headlines



★ The Minnesota Star Tribune

Audit finds widespread problems in DHS oversight of behavioral health grants

Disability services providers accuse state of leaving clients vulnerable amid fraud crackdown

Trump administration says it's withholding social safety net money from 5 states over fraud concerns

TwinCities.com PIONEER PRESS

Crackdown on social service providers leaves some without housing assistance



Jury convicts five of seven defendants in the Feeding Our Future trial

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Making Sense of the Headlines



Feeding Our Future

- Pandemic-era relief program
- No county involvement or responsibility
- **Counties had no role in this program and no role in fraud prevention or investigation**

Medical Assistance-Funded Programs

- Services under Minnesota's approved Medicaid-Medical Assistance (MA) plan
- County role in MA eligibility determination;
- Case management and service authorization for Home and Community Based Services (HCBS)
- Providers enroll with the State; State payments and oversight
- **Counties have a limited role in identifying and reporting suspicious activities.**

Child Care Assistance Program

- Existing program with fraud concerns raised in social media
- County role in eligibility determination, service authorization, and billing
- County has shared role with state in program integrity
- **Counties have an active role in fraud investigation and identification and defined roles with state fraud investigation.**

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Medical Assistance Programs



Medical Assistance (MA) is Minnesota's largest health care program and serves children and families, pregnant women, adults without children, seniors and people who are blind or have a disability. (State/federal funds)

People receiving MA are either enrolled in Managed Care Organizations (MCOs) or Fee for Service (FFS) MA. The county determines MA eligibility, but payments for covered **state plan services** to providers are through the state or health plans. (State/federal funds)

MA Home and Community Based (**HCBS**) **waiver services** are for people with MA, with a disability, who have long-term care needs that can be met in the community. (State/federal funds)

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Home and Community Based Waiver Services Roles and Responsibilities



County

- MnCHOICES assessment to identify service needs
- Enter service authorizations in Medicaid Management Information System (MMIS)
- Ongoing case management (County and contracted): service plan, refer, link, coordinate, and monitor via connection with person served – at least annual visits
- Review and approval of Community First Services and Support (CFSS) plans

Providers

- Provide services, according to Department of Human Services (DHS) rules and regulations
- Bill MMIS against service authorizations

State

- Payment/reimbursement for services, including payment review
- Enrollment of Medical Assistance and HCBS providers
- Provider licensing
- Provider level quality assurance
- Maltreatment and licensing investigations
- Fraud investigations

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Timeline



January 3, 2025

Governor's executive action creates a centralized state fraud investigation unit

July 1, 2025

New anti-fraud laws take effect

October 31, 2025

Department of Human Services (DHS) ends Housing Stabilization Services (HSS) program.

December 2025

Third party pre-payment review for certain "high risk" services and payment withholds when credible reports of fraud

Governor Walz appoints the first Director of Program Integrity in state government

DHS pauses new licenses for adult day care centers

January 1, 2026

Moratorium on new HCBS enrolled providers, exception request process initiated by counties. Dakota County developing process for exceptions, expect few exception requests.

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Medical Assistance Services Pre-payment Review



State Plan, Non-Waiver Services:

- Adult Rehabilitative Mental Health Services (ARMHS)
- Assertive Community Treatment (ACT)
- Community First Services and Support (CFSS)* (1,200 Dakota County (DC) clients; 58 enrolled providers in DC)
- Early Intensive Developmental and Behavioral Intervention (EIDBI) – *Autism Programs*
- Intensive Residential Treatment Services (IRTS)
- Non-emergency transportation services
- Recovery Peer Support
- Recuperative Care

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Medical Assistance Services Pre-payment Review



HCBS Wavier Services:

- Adult Companion Services (1 DC client)
- Adult Day Services (32 DC clients; 15 enrolled providers in DC)
- Community First Services and Supports* (500 DC clients; 58 enrolled providers in DC)
- Individualized Home Supports (2,530 DC clients; 26 enrolled providers in DC)
- Integrated Community Supports (190 DC clients; 25 enrolled providers in DC)
- Night Supervision Services (223 DC clients)

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Medical Assistance Services Payment Withholds



112

Number of Dakota
County Clients
Impacted

15

Number of Providers
in Dakota County

Services Subject to Withholds:
Integrated Community Support (ICS)
Night Supervision
Homemaking Chore Services
Respite Care
Individualized Home Supports
Customized Living
Transition Services
Others

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Impacts



Clients

- Limited provider options create health and well-being risks
- Increased stigma for people who access services
- Housing instability

Providers

- Concerns for all providers of being lumped together as "fraudsters"
- Cash flow issues (due to pre-payment review and withholds) impact some providers' operations

County

- Direct contact with those receiving services
- Connecting people with services, with increasingly limited provider options
- Stress associated with public perception of social services programs
- Reporting fraud, waste and abuse

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Department of Human Services Guidance to Counties



DHS is creating a plan on how to handle provider closures.



Faster, easier connections to existing resources within DHS



Working with DHS partners around other existing resources



Identifying new resources

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Child Care Assistance Program



The Child Care Assistance Program (CCAP) helps parents, stepparents, legal guardians, and other caregivers pay for childcare.

Families receiving the Minnesota Family Investment Program (MFIP) receive federally-funded childcare assistance that covers their total childcare costs up to \$512 a week at a center or \$250 a week at a licensed home provider, depending on the age of the child. Parent Aware rated providers are eligible for a higher rate. Families not on MFIP receive Basic Sliding Fee childcare that is state-funded and the program is a sliding fee with a co-pay based on the family's income.

Families can receive CCAP if they receive MFIP or have received it in the last 12 month, or their income is at or below 47% of the State Median Income. For a family of four the limit is \$67,679.

In December 2025, 1,184 families with 2,677 children were receiving CCAP in Dakota County.

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Roles and Responsibilities



County

- Determine family eligibility for services and verify ongoing eligibility
- Process provider invoices and ensure they match family verifications
- Report suspected fraud to county fraud team
- Licensing of family home licensed providers
- Fraud team investigates suspected fraud

Providers

- Provide childcare
- Track attendance and submit accurate invoices

State

- Provider registration
- Licensing of childcare centers
- Investigates suspected fraud that cross more than one county

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Timeline



March 2019

Legislative Auditor report that identifies Child Care Assistance Program fraud and confirms that money is not being sent to terrorists.
Greater program integrity controls put in place.

December 26, 2025

YouTube video posted alleging fraud in Somali owned childcare centers.
State investigates and found no fraud at the specific childcare center.

December 30, 2025

Trump Administration announces freeze in federal childcare funds to Minnesota. State required to submit all documentation about specific centers and data on all CCAP participants statewide.

January 2026

Department of Children, Youth, and Families and the Bureau of Investigation partner on ongoing compliance and fraud investigation.

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Impacts



Clients

- Fear of losing childcare
- Increased stigma of using subsidized care
- Confusion

Providers

- Break-ins and threats from community vigilantes
- Fear of losing income

County

- Helping clients and providers with concerns
- Fraud accusations from public

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Department of Children, Youth, and Families Guidance to Counties



The Child Care Assistance Program is continuing to operate as usual. Providers should continue following all CCAP, licensing and certification requirements and practices, including billing, as usual.

State-funded programs, including the Great Start Compensation Support Payment Program and Early Learning Scholarships, are not affected by the availability of federal funding.

State funds are sufficient to support CCAP services for several months while Department of Children, Youth, and Families (DCYF) works to respond to federal requests.

The DCYF is partnering with the Bureau of Criminal Apprehension (BCA) to conduct compliance checks.

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State Guidance to Counties



The counties are a critical partner in ensuring the integrity of services.

Direct and ongoing contact with Minnesotans receiving services

Fraud indicators from individuals

Providing and connecting Minnesotans to services and resources

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County Next Steps



Program Integrity

- Continue CCAP program integrity and fraud investigation
- Continue to partner with the state Office of the Inspector General
- Continue to report suspected fraud, waste, and abuse

Communications

- Develop and execute communications plan to decrease community confusion and ensure a consistent response

Service

- Monitor impacts on clients and service providers
- Continue to process applications, assess eligibility, provide case management
- Fulfill lead agency roles with continued focus on program integrity, including through annual fiscal audit

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Non-Profit Expenditures



Dakota County Payments to Not-for-profit (NFP) organizations		
	2024	2025 (thru November)
Programs and Services	\$13,756,445	\$ 11,975,337
Operations	\$838,403	\$915,654
Total Paid to NFP agencies	\$ 14,594,848	\$12,890,992
Total County Adopted Budget	\$514,312,887	\$523,148,132
% of total budget	2.8%	2.5%

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Non-Profit Expenditures



Payments for Programs and Services by Dakota County to NFP by Program Area			
Program Area	2024	2025 (thru November)	% of all payments
Human Services	\$ 13,355,249	\$ 11,528,366	96.70%
Library	\$ 8,758	\$ 8,589	0.07%
Environmental Resources	\$ 52,680	\$ 65,403	0.46%
Parks	\$ 267,666	\$ 199,135	1.81%
Public Health	\$ 34,132	\$ 16,246	0.20%
Transportation Right of Way (ROW) Payment	\$ -	\$ 131,950	0.51%
Veterans Services	\$ 4,900	\$ 3,800	0.03%
Other	\$ 33,060	\$ 21,849	0.21%
Total	\$ 13,756,445	\$ 11,975,337	100.0%

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Questions/Discussion

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