

Roadmap to Program Integrity and Fraud Prevention

Strengthening Minnesota's Stewardship of Public Resources

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Executive summary

Minnesota administers billions of dollars in state and federal programs intended to provide essential services to millions of residents. The scale, complexity and decentralized administration of these programs — combined with increasingly sophisticated risks — require a modern, coordinated, enterprise-wide approach to safeguarding public resources.

Recent events have revealed longstanding vulnerabilities in multiple facets of state administration and leadership and priority setting to specific elements such as enrollment, oversight, data sharing and investigative capacity. These weaknesses have been exploited repeatedly over decades by organized networks of providers, intermediaries and recipients, resulting in significant financial losses, erosion of public trust and inadequate delivery of essential services to vulnerable Minnesotans.

This roadmap provides a unified and actionable framework for re-engineering the state's approach to better prevent, detect and respond to fraud across all executive agencies. It is built on nine pillars:

1. Leadership, accountability and culture
2. Program processes and controls
3. Administrative, investigative and prosecutorial coordination
4. Training and workforce development
5. Legislative actions
6. Technology and data modernization
7. Oversight and independent monitoring
8. Stakeholder collaboration and engagement
9. Resource and capacity building

Together, these reforms would shift Minnesota from reactive enforcement often years after the fact to proactive prevention — creating a consistent, transparent and enforceable system that protects taxpayer dollars while also supporting legitimate providers and beneficiaries.

Introduction

Purpose of the roadmap

This roadmap outlines a comprehensive strategy to prevent, detect and respond to fraud, waste and abuse across Minnesota’s executive agencies. It integrates cultural expectations, structural reforms, process improvements, investigative capacity, technology modernization and oversight mechanisms to ensure that every public dollar is spent as intended. Only with improvements of this nature will the state of Minnesota protect taxpayer dollars and restore public trust. The recommendations contained in this report are intended to provide guidance for improving processes enterprise-wide yet take into account that agencies should retain some level of autonomy to implement measures that maximize the impact on distinct programs.

Methodology

Beginning in January 2026, the Director of Program Integrity and a small team conducted an independent review of program administration across state agencies. The team:

- Reviewed documents
- Conducted interviews with current and former state employees as well as state agency leadership
- Met with whistleblowers, service providers and private citizens

(See [Appendix A](#))

The review confirmed what federal and state investigators have asserted: Minnesota has experienced significant, pervasive and long-running fraud schemes, often involving coordinated networks of dishonest providers and recipients. Those fraudsters took advantage of opportunities brought about, in part, because the state did not fulfill its obligations to maintain sufficient oversight and internal controls to ensure program integrity.

Background and historical context

Minnesota’s fraud vulnerabilities have existed for decades. Historical reports from state and federal auditors repeatedly identified internal control weaknesses, yet corrective actions were either not executed or inconsistently implemented. A “too trusting mindset” and a system biased toward facilitating payments — rather than safeguarding funds — contributed to creating opportunities for exploitation.

An examination of the fraud triangle (motivation, rationalization, opportunity) underscores that opportunity is the factor most within the state's control and that, if more effectively addressed, will have the biggest impact on fraud prevention.

(See [Appendix B](#))

This roadmap focuses on eliminating those opportunities.

Pillars of reform

1. Leadership, accountability and culture

A strong culture of integrity is the foundation of any effective fraud-prevention system. Every executive branch leader, as well as every state employee, provider and recipient, plays a role in maintaining program integrity. State departments and agencies need to better balance their program integrity roles with their commitment to service provision. Historically, departments and agencies focused primarily on the provision of services and not sufficiently on their corresponding duty to ensure program integrity.

Key recommendations

- A. Establish clear expectations and visible commitment
 - Prominent fraud-prevention banners on agency websites
 - Simple, accessible reporting mechanisms for employees and the public
 - Mission and value statements that explicitly emphasize stewardship of public resources (See [Appendix C](#))
- B. Strengthen employee awareness and accountability
 - Recognition programs for employees who identify or prevent fraud
 - Clear consequences for failing to fulfill oversight or compliance duties
 - Partnership with human resources in setting expectations, documenting performance, and supporting accountability
 - Mandatory supervisor and employee training on fraud prevention and escalation responsibilities
 - All employees during their annual reviews must recommend and acknowledge ways that, within their roles, they can help identify and prevent fraud and must assess themselves on performance against integrity metrics
 - All supervisors must educate each employee as to their roles to identify and prevent fraud

Accountability is not one directional. Committed, qualified employees must be encouraged to carry on and be recognized and rewarded for their fine work. Conversely, those who do not perform, whether because of attitude or lack of skills, must be replaced.

C. Set tone at the top

- Senior leadership — from the governor to agency heads — must consistently articulate the importance of stewardship of taxpayer dollars and program integrity and must dedicate resources to support it.

(See [Appendix D](#))

As with all involved in combatting fraud, commissioners and others in top leadership positions must be encouraged to carry on and be recognized for their fine work. Conversely, those leaders who do not perform, whether because of attitude or lack of skills, must be held accountable or replaced.

- Directives on fraud-prevention responsibilities must be in writing, acknowledged and retained
- Cultural assessments to identify and correct gaps in trust and communications within state agencies would be beneficial in creating a culture of accountability and fraud prevention.¹

D. Conduct independent reviews of failures to act

The review identified allegations that employees were instructed not to pursue suspicious activity and that other employee fraud prevention efforts may have been impeded. Each such instance must be independently investigated to determine what occurred and whether corrective or disciplinary action is warranted, including referral for criminal investigation and prosecution as warranted.

(See [Appendix E](#))

2. Program processes and controls

Fraud prevention begins with strong program design and consistent, enterprise-level controls.

¹ The vast majority of employees are committed to public service. Some are feeling embattled and discouraged. They have been and will continue to play a crucial role in combatting fraud. Leadership should be attentive to employees' immediate and ongoing needs.

Agency-level employee engagement surveys should be reviewed anew and, if merited, steps taken to support employees as adjustments to agency cultures are made.

MMB's MAD is well suited to assist in this effort.

Key recommendations

A. Assess current recipient needs

- Analyze efficacy of current programs
- Evaluate whether overlapping programs should be consolidated to reduce complexity and opportunities for fraud and consider moratoria or limits on new providers in oversaturated programs.

(See [Appendix F](#))

B. Enhance enrollment and provider screening

- Emphasize up-front screening, averting fraud before it can start
- Require criminal history and credit checks above defined funding thresholds
- Require disclosure of involvement in other state- or federally-funded programs, including if any of those programs have been suspended or investigated
- Require mandatory physical address verification and immediate reporting of any address change
- Require mandatory, immediate accessibility to a provider's records that must be stored at a specified location
- Include enrollment questions that, if answered falsely, result in immediate suspension
- Adopt experience- and education-based criteria commensurate with the role of and amount of funding entrusted to the provider

(See [Appendix G](#))

C. Reinforce documentation and recordkeeping

- Providers must maintain records at a single, accessible physical location
- Agencies must have immediate access to records without advance notice

D. Boost process integrity

- Standardize enterprise-level controls across agencies
- Ensure key tasks (enrollment, eligibility review, billing review, disbursement approval) are separated to maintain checks and balances²

² From the initial application or enrollment step through the final disbursement of funds, a single identifiable person should have oversight responsibility for the entire process. However, discrete steps in the process* should be compartmentalized so that checks and balances are in place, employee skill sets match assigned tasks, and unwitting (or intentional) bias and conflicts of interest are prevented.

*Process steps: prepare RFP, score applications, select providers, review contract/agreement, approve contract/agreement, conduct pre-award risk assessment, approve provider, conduct site visits, confirm

- Match employee skill sets with duties to promote accountability and reduce errors and vulnerabilities³
- Clarify roles and duties for licensors, supervisors, and program staff (See [Appendix H](#))
- Require unannounced site visits based on both suspicion of fraud and through a random selection process
- Assign clear oversight responsibility for the entire grant or program process, while compartmentalizing tasks to prevent conflicts of interest

E. Employ universal identifiers

Implement universal ID numbers for providers, grantees, and recipients to detect duplication and cross-program fraud. Leverage Blockchain or other electronic anti-fraud tools to minimize the risk of fraud through the use of these identifiers.

(See [Appendix I](#))

F. Adopt or refine the Office of the Inspector General Coordinating Council’s recommendations and WayPoint’s toolkit.

3. Administrative, investigative and prosecutorial coordination

Minnesota must strengthen its ability to detect, investigate, and respond to fraud swiftly and effectively.

Key recommendations

A. Centralize tip intake and triage

- A single statewide repository for all fraud tips
- Multidisciplinary triage teams including Bureau of Criminal Apprehension (BCA) investigators and agency-level program experts. Newly formed Department of Human Services (DHS)–Department of Children, Youth and Families (DCYF)–BCA task force was recently created to test and refine this model (See [Appendix J](#))
- Law enforcement provided access to agency-possessed provider records

recipient eligibility, issue progress reports, complete financial reconciliations, conduct pre-payment billing review, approve disbursements.

³ MMB is currently reviewing position descriptions, job classifications, and organizational structures to clarify employees’ roles regarding fraud, match skill sets with assigned duties and determine whether levels of pay are commensurate with assigned duties.

- Rapid prioritization and assignment with clear timelines, including prompt suspension of funding
 - Create a Trusted Provider matrix to direct investigative resources to the more high-risk providers (See [Appendix K](#))
- B. Redeploy adept employees immediately to address urgent needs. Transfer employees and hire new employees with specialized skills.
- C. Establish a state/federal task force
- D. Toughen enforcement tools
- Authority for unannounced site visits
 - Immediate access to records, staff, and operations
 - Consistently utilize administrative authority to suspend or stop funding based on credible evidence, with due-process protections⁴
- E. Recover funds
- Aggressively pursue recovery of fraudulent or erroneous disbursements
 - Consider incentivizing qualified private sector investigators (under law-enforcement supervision) to assist in asset recovery⁵

⁴ Decisions to suspend or stop funding must be made more promptly. This could be accomplished through the timely sharing of information and streamlining the approval process. A streamlined process should include both programmatic and investigative expertise to ensure that administrative authority is exercised in a way that is effective but does not interfere with cases warranting prosecution.

Payments should continue to be suspended when the standard of proof for suspected fraud is met. Additionally, payments should be suspended in other specified situations regardless of whether there is indicia of fraud, such as on grants with past due progress reports. See also [Appendix G](#).

Due process may be ensured through timely appeals to the agency along with an option for expedited hearings through the Court of Administrative Hearings.

⁵ Incentivize non-government investigative experts (retired law enforcement, private investigators) to track and assist in recovering assets obtained through fraud. Those experts would receive a percentage of recovered assets. They could work in coordination with and, in some cases under the oversight of, law enforcement. Consider the approach in the Qui Tam provision in the Federal False Claims Act for guidance.

F. Increase prosecutorial capacity

Expand resources for the Attorney General or for the Ramsey County Attorney's Office to prosecute statewide fraud cases, leveraging its jurisdiction and expertise.⁶

4. Training and workforce development

Key recommendations

A. Emphasize enterprise-wide training

- Standardized fraud-prevention training for all state employees
- Specialized modules for high-risk programs and frontline staff

B. Focus on supervisor and manager training

- Targeted training on oversight responsibilities, red flags, and escalation procedures
- Minnesota Management and Budget's (MMB) Enterprise Talent Development Division is well-suited to provide training resources for supervisors

(See [Appendix L](#))

5. Legislative actions

Minnesota's statutes and appropriations and legislator's actions must support a modern fraud-prevention infrastructure.

Key recommendations

A. Demand funding requirements

- Every bill establishing or modifying a program must include a fraud-prevention component and funding
- No direct appropriations, which present higher risk for fraud
- No grants without dedicated administrative and fraud-prevention funding (for example, 5% for single-source grants, 10% for requests for proposals)

⁶ Expand prosecutorial capacity by providing more resources to the Minnesota Attorney's Office or by providing resources to the Ramsey County Attorney's Office to hire additional attorneys skilled in fraud prosecutions.

The Ramsey County Attorney's Office has confirmed that because our state government is seated in Saint Paul, its office has jurisdiction to prosecute non-Medicaid cases, such as CCAP and nutrition. The Ramsey County Attorney's Office has indicated a willingness to prosecute fraud cases so long as funding was provided for new positions. The office, which is already skilled at prosecuting financial crimes, is well-positioned to augment the work of the Minnesota Attorney General's Office.

- All grant applicants must describe their own integrity matrix commitment in the application

B. Uphold guardrails on legislative influence

- Clarify boundaries to prevent undue influence on grant selection or program administration.
- Ensure agencies follow consistent, operative processes regardless of external pressure.

(See [Appendix M](#))

C. Refine due process framework

Establish a clear appeals process for stop-payment or suspension actions, including expedited review by the Court of Administrative Hearings (CAH).

6. Technology and data modernization

Modern fraud schemes require modern tools.

Key recommendations

A. Update data sharing and use of analytics

- Expand short- and long-term data-sharing capabilities across agencies⁷
- Create data sharing platforms and utilize analytics to prevent fraud on the front end and stop fraud later during compliance enforcement
- Leverage the Department of Employment and Economic Development's (DEED) Workforce Services and Transformation division and MMB's Results Management Team for cross-program analytics
- Detect fraudsters using shared identifiers (names, addresses, phone numbers, emails, bank accounts, common officers)

B. Real-time monitoring tools

- Employ cameras, electronic sign-ins, fingerprint verification, GPS tracking
- Explore smartphone applications with unique identifiers for providers and beneficiaries
- Provide investigators with secure, real-time access to program activity data

⁷ Modern fraud schemes require modern tools. The volume of valuable data available today is massive. Manual data entry is archaic and prone to human error. Any best-in-class anti-fraud program must lean into the latest in artificial intelligence, smart monitoring tools, effective, timely data sharing programs, and other technologies to quickly analyze data across the enterprise to prevent, detect and remediate fraud in real time.

7. Oversight and independent monitoring

History has proven that reforms fail without enforceable accountability.

Key recommendations

A. Intensify executive branch oversight

- A designated point person in the governor's office to monitor implementation
- Each agency appoints a single accountable leader who reports to the governor's designee

B. Create an Executive Branch Compliance Committee

- Create a standing body whereby each agency lead (not a designee) presents quarterly on progress against standardized integrity metrics that reflect in a very transparent way positive or negative trends on incidents of fraud and mitigation of identified gaps
 - Publicly accessible presentations
 - Recognition for agencies that meet or exceed benchmarks
 - Remediation plans and consequences for agencies that fall short
- The governor, representatives of both parties in the state legislature and a knowledgeable person from outside government could preside over these meetings⁸

⁸ Enforceable accountability is achievable. It will come through ongoing, timely oversight, measurable metrics, recognition of successful performers, consequences for unsuccessful performers, and transparency.

Establish an Executive Branch Compliance Committee. Require each agency head — *not a designee* — to present a standardized set of program-integrity metrics. Progress reports could be made to an independent monitor on a quarterly basis. The monitor reports to the Executive Branch Compliance Committee. Make all Compliance Committee presentations publicly accessible through online broadcast. The governor, the ranking legislative leaders of both parties, an independent citizen ombudsperson and possibly a justice of the Minnesota Supreme Court could be members of the committee.

Agency leaders who consistently meet or exceed their integrity metrics should receive formal recognition or other appropriate incentives.

Agencies that fall short of established best-in-class benchmarks must submit detailed targeted remediation plans with date specific timelines. If an agency leader fails to achieve those corrective milestones within the defined period, they must be held accountable. Termination of employment, resignation, or other meaningful, efficacious corrective actions are available options to uphold consequential accountability.

C. Appoint an independent oversight monitor

- Oversees program integrity efforts across the enterprise⁹
- With agency input, sets achievable, measurable performance goals
- Supported by an analytics group tasked with examining data to identify trends and detect anomalies
- Publicly reports findings to the Compliance Committee alongside agency “report cards”
- Has authority to require agency heads to appear at public Compliance Committee meetings

D. Require independent auditing

- Auditors embedded in large agencies or shared across smaller ones
- Auditors must not be supervised by the agencies they audit and advise
- Continuous monitoring rather than annual certifications
- Coordination with the Office of the Legislative Auditor (OLA)

(See [Appendix N](#))

8. Stakeholder collaboration and engagement

Reforms must ensure that vulnerable Minnesotans continue receiving essential services from legitimate providers.

Key recommendations

- Engage providers to ensure controls are effective to combat fraud, yet workable for legitimate providers and recipients
- Publish fraud and kickback warnings in multiple languages
- Provide clear standards, consistent enforcement, and transparent appeal processes

⁹ A three-phase approach to put in place fraud prevention and detection measures that will withstand the test of time seems fitting. First, consider this Roadmap, prioritize the recommendations herein and dictate action steps to be carried out over time. Second, appoint an independent monitor with the expertise and gravitas to force execution of the initial steps through enforcement of efficacious accountability. In the coming months, an independent person should monitor agencies’ initial actions. Planning is not enough. Action is required. (See EN 8) Third, appoint an independent monitor to carry forward with oversight. A statewide Inspector General is one option. Phase 2 should kick start the effort, but ongoing, hands-on oversight is needed to ensure that improvements become embedded for long-term success.

9. Resource and capacity building

Key recommendations

- Expand MMB's oversight and verification capacity and authority, including auditors and data analysts
- Strengthen the Office of Grants Management (OGM), which recently increased staffing from four full time employees (FTEs) in 2023 to nine FTEs in 2025
- Prioritize resources for technology, analytics and agency competence

Conclusion

Minnesota faces significant and evolving fraud risks that demand a coordinated, enterprise-wide response. By strengthening culture, processes, investigative capacity, technology, and oversight, the state can dramatically improve program integrity, protect taxpayer resources and preserve vital services.

This roadmap provides a comprehensive, actionable framework for legislative and executive action. It is intended to provide guidance for the establishment of a long-term fraud prevention plan that can be effectively executed through measured accountability. With cross agency collaboration and sustained leadership in both the executive and legislative branches, Minnesota will be positioned to build a modern, resilient system that prevents fraud and restores public trust.

APPENDICES

APPENDIX A

The Director of Program Integrity and his team have reviewed agency programs to identify areas of risk that leave open opportunities for fraud to occur. The team gathered and analyzed information from multiple sources, reviewed thousands of pages of documents, and conducted interviews with dozens of state employees. The team met with staff and reviewed materials from state agencies, divisions and offices, including the following:

- Administration (ADM)
- Agency Offices of Inspector General (OIG)
- Bureau of Criminal Apprehension (BCA)
- Children, Family and Youth (DCYF)
- Counsel on Asian Pacific Minnesotans
- Education (MDE)
- Employment and Economic Development (DEED)
- Grants Management (OGM)
- Human Services (DHS)
- Legislative Auditor (OLA)
- Management Analysis and Development (MAD)
- Minnesota Attorney General (AG)
- Minnesota IT Services (MNIT)
- Minnesota Management and Budget (MMB)
- Office of Inspector General Coordinating Council (OIGCC)
- Public Safety (DPS)

In addition, the team heard directly from whistleblowers, former state employees, service providers and private citizens who offered straightforward information and candid insights regarding fraud schemes and internal control risks.

APPENDIX B

Criminologist Donald R. Cressey developed the Fraud Triangle. The U.S. Department of Justice Office of Justice Programs published his theory in *Other People's Money: A Study in the Social Psychology of Embezzlement*. (NCJ number 12678). An excerpt:

“Opportunity

If one is talking about theft, there must be something to steal and a way to steal it. Anything of value is something to steal. Any weakness in a system — for example, lack of oversight — is a way to steal. Of the three elements of the Fraud Triangle, opportunity is often hard to spot, but fairly easy to control through organizational or procedural changes.

Pressure

Pressure in this case is another way of saying motivation. What is it in one's life that drives one to commit fraud? Pressure sometimes involves personal situations that create a demand for more money; such situations might include vices like drug use or gambling or merely life events like a spouse losing a job. At other times, pressure arises from problems on the job; unrealistic performance targets may provide the motive to perpetrate fraud.

Rationalization

There are two aspects to rationalization: One, the fraudster must conclude that the gain to be realized from a fraudulent activity outweighs the possibility for detection. Two, the fraudster needs to justify the fraud. Justification can be related to job dissatisfaction or perceived entitlement, or a current intent to make the victim whole sometime in the future, or saving one's family, possessions or status. Rationalization is discernible by observation of the fraudster's comments or attitudes.”

Related to Cressey's Fraud Triangle theory is the 10-80-10 Rule

The 10-80-10 Rule supports the general assumption of capability by breakdown of the population and the likelihood of fraud occurrences. Essentially, 10 percent of the population will NEVER commit fraud. This is the type of person that will go out of their way to return items to the correct party. 80 percent of the population might commit fraud given the right combination of opportunity, pressure and rationalization. 10 percent of the population are actively looking at systems and trying to find a way to commit fraud.

(Source: National Association of State Auditors, Comptrollers and Treasurers (NASACT) and the Oregon State Controller's Division)

The state's focus is on the opportunity component. Fraud prevention warnings date back a half-century. Preventative actions should have been taken long ago. Today, criminals are exploiting decades-old inadequate internal controls.

Immediately below are excerpts from audits and reports containing highlighted samples of past warnings, including repeated findings. Agencies proposed plans and pledged to take corrective actions. Those efforts have not been effective. Planning without execution is destined to fail.

Department of Human Services

Office of the Legislative Auditor Federal Compliance Reports and specific program audits (Titled)

- *Feb. 17, 1977*

Regulations and Controls of Humans Services Facilities

LEVEL OF ENFORCEMENT Regardless of a rule's precision or stringency, the level of care available in facilities **will not consistently meet requirements unless an active enforcement program exists**. While some facilities may provide care exceeding standards, most will not make changes without surveillance. This fact may imply a "get away with whatever we can" attitude but is at least as likely to reflect a facility's economic realities. Without this level of active enforcement, facilities may not be able to negotiate per diem increases to pay for improved care. We have encountered this problem among correctional group home operators and among providers of community based residential care for the mentally ill. Level of enforcement depends on at least three elements: 1) ratio of inspectors to regulated facilities (i.e., inspector workload); 2) consistency of enforcement; and 3) expertise of inspectors.

- *Feb. 15, 1979*

Evaluation Report on State Sponsored Chemical Dependency Programs

D. ON-SITE MONITORING CDPD **did not have a formal system** for on-site monitoring of service providers. During fiscal 1978, on-site activities varied considerably. When visits were made, no standardized forms were used nor did staff receive instructions on how to proceed. There were no records of visits in the central files.

In the past, CDPD staff have been assigned to monitor contracts but **did not receive explanations** of their actual responsibilities. There was no staff training in contract management and monitoring.

F. SUMMARY The Minnesota Department of Public Welfare and its Chemical Dependency Program Division **have not performed well** in maintaining a system which monitors the activities of those who receive funds from DPW.

From our review, we have found that: • There are **serious deficiencies** in the block grant data reporting relationships that have been established between state and local agencies.

- *March 1989*

DHS has **continued to incur** contractual liabilities before finalizing written agreements. Minn. Stat. Section 16A.15, Subd. 3 requires that funds be encumbered prior to any obligation. Subdivision 3 also provides that, "a claim presented against an appropriation without prior encumbrance may be made valid on investigation, review and approval by the Commissioner of Finance, if the services, materials, or supplies to be paid for were actually furnished in good faith without collusion and without intent to defraud."

- *March 12, 1999*

The Department of Human Services **did not audit** the required number of nursing homes during fiscal year 1998.

PRIOR FINDING NOT RESOLVED: The Department of Human Services **did not have a sufficient system** of account for the Drug Rebate Program.

PRIOR FINDING NOT RESOLVED: The Department of Human Services **did not have a process** to determine suspended or debarred vendors.

The department **did not ensure** that corrective actions were taken by subgrantees when audit reports identified instances of noncompliance with federal policies.

- *March 14, 2000*

PRIOR FINDING NOT RESOLVED: The department **did not adequately** monitor its federal cash management procedures.

PRIOR FINDING NOT RESOLVED: The department **did not have an adequate system** of accounting for the Drug Rebate Program during fiscal year 1999.

- *July 30, 2001*

The Licensing Division's internal controls provided reasonable assurance that it properly recorded its financial activity and adequately safeguarded its assets.

However, we found that the division **did not make the required** site visits to licensees on a timely basis.

- *March 7, 2003*

PRIOR FINDING PARTIALLY RESOLVED: The Department of Human Services **did not ensure** that counties timely resolved income discrepancies identified as part of the benefit eligibility process.

- *Feb. 18, 2004*

Medicaid Home and Community-Based Waiver Services for Persons With Mental Retardation or Related Conditions

State rules require counties to take certain steps when determining and updating waiver recipients' needs. For instance, although the state requires counties to update each recipient's individual service plan annually, we estimated that 6 percent of the case files in 12 counties we visited **lacked an up-to-date service plan or similar document**. State rules also require case managers to visit each waiver recipient at least semiannually. In the counties we visited, **40 percent of the waiver recipients or their families had fewer than two face-to-face visits** with case managers in the past year, and **17 percent had no meeting**.

- *March 18, 2004*

The Department of Human Services **did not comply with** federal regulations when allocating salaries to some federal programs...The department charged salaries to certain federal programs based on job descriptions and budget information. However, **it never compared** the employees' actual activities to the budgeted estimates **to confirm** that its original allocations were accurate.

The Department of Human Services **did not provide adequate** tools to monitor certain high-risk eligibility transactions... The risk of errors or irregularities increases when individuals have the ability to bypass established controls and there is no independent oversight.

PRIOR FINDING PARTIALLY RESOLVED: The Department of Human Services **did not ensure** that counties timely resolved income discrepancies identified as part of the benefit eligibility process.

PRIOR FINDING NOT RESOLVED: The Department of Human Services **did not adequately** control receipts collected by the Special Recovery Unit.

- *March 17, 2005*

PRIOR FINDING PARTIALLY RESOLVED: The Department of Human Services **did not comply with** federal regulations when documenting salaries charged to some federal programs.

The Department of Human Services **did not comply with** federal cash management requirements for the Child Care and Development Block Grant Program.

The Department of Human Services **did not ensure** that reporting for certain federal programs was timely and accurate.

- *March 16, 2006*

The Department of Human Services **did not have a process to verify** that it received accurate supplemental drug rebates. The department did not have an adequate process to ensure that a third-party processor sent the appropriate supplemental drug rebate amounts to the state.

The Department of Human Services **did not accurately report** federal spending in the state's financial reports. The department has not maintained sufficient internal controls to ensure the reporting accuracy of federal program expenditures for the schedule of federal expenditures published in the Minnesota Financial and Compliance Report on Federally Assisted Programs.

- *January 2007*

Evaluation Report

DHS is ultimately accountable for the statewide delivery of human services. However, DHS's supervision of counties' **performance has been inadequate**

Oversight of private service providers by DHS and counties needs additional attention.

As contract administrators, DHS and counties need to ensure adequate accountability for money paid to private organizations that provide human services.

- *March 23, 2007*

Prior Finding Not Resolved: The Department of Human Services **did not accurately report** federal spending in the state's federal financial reports.

The department **did not adequately monitor** the activity for one Medical Assistance Program (CFDA 93.778) vendor. Federal grant agreements require management to

monitor that vendors appropriately use federal funds. The department developed specific reporting requirements in the contract to allow it to actively monitor the quality and extent of this vendor's services. However, the department did not obtain all of the contractually required reports.

- *January 2009*

Personal Care Assistance

Personal care services **remain unacceptably vulnerable to fraud and abuse.**

Provider agencies are allowed to administer PCA services without demonstrating their understanding of state requirements.

The Department of Human Services (DHS) has **implemented a weak quality assurance review program** for PCA services.

In fiscal year 2006, the Department of Human Services paid its broker about \$1 million more than the amount agreed to in the contract.

The Department of Human Services frequently amended its contract with the broker to increase payment rates, even though provider reimbursement rates remained fairly stable.

The Department of Human Services has **exercised little oversight** of access transportation provided through counties.

- *March 26, 2009*

The department **did not have a comprehensive risk assessment** pertaining to its internal controls over compliance with federal single audit requirements.⁴ The department has an increased likelihood of a control deficiency if it does not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

The Department of Human Services **lacked controls over certain financial processes to prevent or detect payments to a fraudulent vendor.**

Prior Finding Not Resolved: The Department of Human Services **was not in compliance** with federal cash management requirements.

The Department of Human Services **did not comply with** federal suspension and debarment requirements. The Department of Human Services did not verify the

suspension and debarment status of vendors with whom it entered into annual plan agreements.

- *March 18, 2010*

Prior Finding Partially Resolved: 3 The Department of Human Services **did not identify, analyze, and document** its internal controls related to business operations and the schedules of federal expenditures.

The Department of Human Services **did not adequately address** its responsibility to monitor and ensure accurate recipient eligibility determinations for four major federal programs...Because the department lacked a comprehensive, coordinated approach to its eligibility oversight responsibilities, it did not identify or design controls to address the following areas where **oversight was not sufficient:**...

The Department of Human Services **did not comply with** state economic interest statement requirements for two assistant commissioners.

- *February 2011*

Medical Nonemergency Transportation

The Department of Human Services **provides little oversight** of medical nonemergency transportation services statewide.

The Department of Human Services **did not implement** a formal quality assurance program to monitor its broker.

- *May 6, 2011*

Prior Finding Not Resolved: The Department of Human Services **did not adequately address** its responsibility to monitor and ensure accurate recipient eligibility determination for three major federal programs.

Prior Finding Partially Resolved: The Department of Human Services **did not fully identify, analyze, and document** its internal controls related to compliance with federal single audit requirements.

The department **did not withhold an appropriate amount** of retainage for two of nine contracted services we tested. The department should have retained about \$30,000 more than it did for contracts totaling approximately \$520,000. State statute indicated that no more than 90 percent of the amount due under a contract could

be paid until the commissioner certified the service or work was satisfactorily completed.

- *March 29, 2012*

Prior Finding Partially Resolved: The Department of Human Services **did not fully identify, analyze, and document its internal controls** related to compliance with federal single audit requirements.

Prior Finding Partially Resolved: The Department of Human Services **did not fully implement controls** to ensure it complied with eligibility requirements for two federal programs and did not monitor system overrides for three major programs.

The Department of Human Services **allocated some costs to federal programs that may not have been allowable** for federal reimbursement.

- *February 2013*

State-Operated Human Services

Past human services commissioners created and maintained a governance structure that muddled accountability and was contrary to state laws.

- *July 11, 2013*

Prior Finding Partially Resolved: The Department of Human Services **did not fully implement controls** to ensure it complied with eligibility requirements for two federal programs and did not monitor system overrides for three major programs.

Prior Finding Not Resolved: The Department of Human Services **did not fully identify, analyze, and document** its internal controls related to compliance with federal single audit requirements.

Prior Finding Partially Resolved: The Department of Human Services **did not adequately monitor** the counties' efforts to detect fraudulent child care payments and ensure they properly recovered the payments.

The Department of Human Services **did not consistently reduce recipients' cash assistance benefits** when the recipient refused to cooperate with child support enforcement requirements.

- *Nov. 12, 2014*

The Department of Human Services **did not ensure** that Medical Assistance, MinnesotaCare, and Children's Health Insurance Program recipients who enrolled through MNsure were eligible for the benefits they received.

Not Adequate: The organization had **significant weaknesses in the design and/or implementation of its internal controls** and, as a result, the organization was **unable to effectively manage the risks related to its financial operations.**

The Department of Human Services **did not have an effective process** to resolve discrepancies with social security numbers and citizenship or immigration status that MNsure identified for further verification.

The Department of Human Services **paid Medical Assistance and MinnesotaCare benefits for recipients whose income exceeded federal and state program limits.**

The Department of Human Services **paid health care costs for some ineligible people** based on the applicants' reported household size and family relationships.

MNsure incorrectly enrolled some people in MinnesotaCare when they were eligible for Medical Assistance, and the Department of Human Services did not transfer MinnesotaCare recipients to the Medical Assistance program when their income dropped.

The Department of Human Services **paid benefits for MinnesotaCare recipients who were also enrolled in Medicare.**

- *March 21, 2015*

The Department of Human Services **did not adequately ensure** that recipients receiving benefits met the eligibility requirements for Medical Assistance, Children's Health Insurance, Temporary Assistance for Needy Families, Child Care and Development Fund, and Supplemental Nutrition Assistance programs. This is a repeat finding.

The Department of Human Services **did not fully identify, analyze, and document** its internal controls related to compliance with federal internal control requirements for several federal programs. This is a repeat finding.

The Department of Human Services **did not correctly allocate** \$936,072 in costs according to its federally approved cost allocation plan, causing the department to claim \$457,931 more in federal reimbursement than allowed.

The Department of Human Services **did not always perform licensing visits** to child care facilities in a timely manner. **This is a repeat finding.**

- *March 24, 2016*

The Department of Human Services **did not ensure the effectiveness of controls** over eligibility determinations for the Medical Assistance, Basic Health, Temporary Assistance for Needy Families, Child Care and Development Fund, and Supplemental Nutrition Assistance programs. This is a repeat finding.

The Department of Human Services **did not consistently reduce recipients' cash assistance benefits** when the recipients refused to cooperate with child support enforcement requirements.

The Department of Human Services **did not always perform on-site licensing reviews** of child care centers within the required timeframe. **This is a repeat finding.**

- *March 24, 2017*

The Department of Human Services **did not adequately ensure eligibility requirements were met** for families receiving Temporary Assistance for Needy Families benefits and the elderly and disabled people receiving Medical Assistance benefits. This is a repeat finding for the Temporary Assistance for Needy Families program.

The Department of Human Services **did not consistently reduce enrollees' cash assistance benefits** when the enrollees refused to cooperate with child support enforcement requirements. **This is a repeat finding.**

The Department of Human Services **did not always perform on-site licensing reviews** of child care centers within the required timeframe. **This is a repeat finding.**

- *March 16, 2018*

Finding 2013-013 (14-11-4) **Not adequately monitoring** program activities.

The Department of Human Services **did not adequately monitor** some aspects of the Child Care Assistance Program. This finding is repeated in the current audit

report. See Section III, Report 18-05, Finding 4 (2017-004). See agency provided corrective action plan number 2017-004.

Finding 2014-023 (15-07-1) **Noncompliance with federal eligibility requirements.**

The Department of Human Services **did not adequately ensure** that recipients receiving benefits met the eligibility requirements for Temporary Assistance for Needy Families. This finding is repeated in the current audit report. See Section III, Report 18-05, Finding 2 (2017-002). See agency provided corrective action plan number 2017-002.

Finding 2014-027 (15-07-5) **Not adequately monitoring** program activities.

The Department of Human Services **did not always perform licensing visits** to child care facilities in timely manner. This finding is repeated in the current audit report. See Section III, Report 18-05, Finding 4 (2017-004). See agency provided corrective action plan number 2017-004.

Finding 2015-011 (16-06-1) **Noncompliance with federal eligibility requirements.**

The Department of Human Services **did not ensure the effectiveness of controls** over eligibility determinations for Temporary Assistance for Needy Families. This finding is repeated in the current audit report. See Section III, Report 18-05, Finding 2 (2017-002). See agency provided corrective action plan number 2017-002.

Finding 2015-013 (16-06-3) **Did not consistently reduce cash assistance benefits.**

The Department of Human Services **did not consistently reduce recipients' cash assistance benefits** when the recipients refused to cooperate with child support enforcement requirements. **This finding is repeated** in the current audit report. See Section III, Report 18-05, Finding 3 (2017-003). See agency provided corrective action plan number 2017-003.

Finding 2016-006 (17-11-1) **Noncompliance with federal eligibility requirements.**

The Department of Human Services **did not adequately ensure eligibility requirements were met** for families receiving Temporary Assistance for Needy Families benefits. **This is a repeat finding. This finding is repeated** in the current audit report. See Section III, Report 18-05, Finding 2 (2017-002). See agency provided corrective action plan number 2017-002.

- *March 1, 2019*

Finding 2013-013 (14-11-4) **Not adequately monitoring** program activities.

The Department of Human Services **did not adequately monitor** some aspects of the Child Care Assistance Program. **This finding is repeated** in the current audit report. See Section III, Report 19-06, Finding 6 (2018-013).

Finding 2014-023 (15-07-1) **Noncompliance with federal eligibility requirements.**

The Department of Human Services **did not adequately ensure** that recipients receiving benefits met the eligibility requirements for Temporary Assistance for Needy Families. This finding is repeated in the current audit report. See Section III, Report 19-06, Finding 4 (2018-011).

Finding 2014-027 (15-07-5) **Not adequately monitoring** program activities.

The Department of Human Services **did not always perform licensing visits** to child care facilities in timely manner. **This finding is repeated in the current audit report.** See Section III, Report 19-06, Finding 6 (2018-013).

Finding 2015-011 (16-06-1) **Noncompliance with federal eligibility requirements.**

The Department of Human Services **did not ensure the effectiveness of controls over eligibility determinations** for Temporary Assistance for Needy Families. **This finding is repeated in the current audit report.** See Section III, Report 19-06, Finding 4 (2018-011).

Finding 2015-013 (16-06-3) **Did not consistently reduce cash assistance** benefits.

The Department of Human Services **did not consistently reduce recipients' cash assistance benefits** when the recipients refused to cooperate with child support enforcement requirements. **This finding is repeated in the current audit report.** See Section III, Report 19-06, Finding 3 (2018-010).

Finding 2017-005 (18-05-5) **Did not ensure completion of training** prior to approving eligibility.

The Department of Human Services **did not ensure county and department employees completed the required training** before determining and approving individual eligibility for medical assistance benefits. **This finding is repeated in the current audit report.** See Section III, Report 19-06, Finding 11 (2018-018).

- *April 25, 2024*

Grant Award Processes

We found that the Department of Human Services' Behavioral Health Division (BHD) **did not comply** with certain grants management policies, including the requirement to obtain and maintain conflict of interest forms from grant application reviewers. OLA had **a similar finding for this division in a 2021 audit**. In addition, **neither BHD nor the Minnesota State Arts Board (MSAB) completed all required pre-award risk assessments** for grant awards in our review. We recommend that the Office of Grants Management provide further guidance on certain policies and that BHD and MSAB ensure they follow grants management policies.

- *Dec. 10, 2024*

Outstanding Provider Debt in Minnesota's Medicaid Program Performance Audit

The Department of Human Services **has not attempted to recover over \$40 million in outstanding overpayments** to Medical Assistance providers' accounts.

DHS **has not made any attempt to recoup outstanding MA-provider debt since 2019**, when it sent a collection notice to one provider, nor has it referred the outstanding debt to DOR.

The Department of Human Services **is planning to forgo recovery of outstanding provider debt that may still be recoverable.**

The Department of Human Services **has not accurately reported its accounts receivable balance** to Minnesota Management and Budget for inclusion in the state's financial statements **since 2019**.

The Department of Human Services was unable to provide adequate data to enable us to confirm the outstanding provider balances.

- *Dec. 18, 2025*

Prior Audit Finding Partially Resolved: The Department of Human Services **did not have adequate internal controls** to ensure it accurately reported its accounts receivable.

- *January 2026*

...DHS used single source grants when source grants when they were not justified and did not always sufficiently document its reasons for single source grants.

Department of Administration

Office of the Legislative Auditor Report

- *Jan. 8, 1999*

The Materials Management Division of the Department of Administration did not obtain written certifications to verify that state vendors had not been federally suspended or debarred before awarding contracts.

- *Jan. 5, 2001*

The Risk Management Division did not ensure the accuracy of its outstanding claims payable... In addition to overstating the claims payable, the risk of paying a claim twice increases when the division does not close out a claim when resolved.

- *June 20, 2002*

The department did not adequately separate the purchasing, receiving, and disbursing functions for surplus services... Without an adequate separation of duties, errors or irregularities could occur and not be detected.

The Surplus Services Unit did not properly approve its purchases or disbursements... Without proper authorization, there is an increased risk that the purchases may not be appropriate.

The Surplus Services Unit inappropriately used field purchasing procedures to acquire goods and services.

- *July 10, 2003*

The Management Analysis Division did not follow all of the legal requirements for contracting of professional and technical services for Governor-elect Tim Pawlenty's transition team. The timing of funding, and the lack of a defined financial structure for the transition office, caused contractors to complete a significant portion of the work prior to having fully executed contracts, and required that contracts be amended for unanticipated travel costs. In addition, the transition office obtained

legal services totaling \$9,200 without a formal contract, and one delayed contract was unnecessary.

- *Oct. 12, 2006*

The department **did not comply with** certain legal requirements for some contracts.

- *Oct. 25, 2012*

The Department of Administration **did not consistently perform certain grant monitoring procedures, as required by state policies, and did not ensure grantees administered equipment grants in accordance with legal requirements.**

- *Nov. 20, 2015*

The department **did not adequately monitor or perform a financial reconciliation for a grant** to the Minnesota African American Museum and Cultural Center (museum), as required by state policy.

For all grant recipients, the department **did not adequately assess** whether costs complied with the ‘supplement not substitute’ requirement.

Department of Health

Office of the Legislative Auditor reports

- *March 18, 1999*

The department **did not adequately separate duties** related to refunds collected from WIC vendors. The department also did not promptly deposit WIC vendor refunds.

The department **did not visit at least 20 percent of the clinics** used by one local WIC agency during its management evaluation.

The department **did not ensure** its subrecipients took prompt corrective action on audit findings.

The department **did not require suspension and debarment certifications from vendors** receiving awards in excess of \$100,000, or from its subrecipients.

- *March 2, 2000*

PRIOR FINDING NOT RESOLVED: The department **did not ensure** its subrecipients took prompt corrective action on audit findings.

The department **did not conduct a management evaluation** of each local WIC agency at least once every two years.

- *March 3, 2005*

The department **processed payments without effective controls** to ensure proper authorization of invoices.

- *March 16, 2006*

PRIOR FINDING PARTIALLY RESOLVED: The Department of Health **did not conduct a physical inventory of fixed assets** acquired by federal grant funding.

- *March 20, 2008*

The department **did not adequately review** federal grant expenditures of subrecipients and did not review subrecipient audit reports for the WIC (CFDA 10.557) and Centers for Disease Control technical assistance (CFDA 93.283) programs.

- *March 26, 2009*

Prior Finding Partially Resolved: The Department of Health **did not monitor subrecipient activity**, as required by federal regulations.

- *March 4, 2010*

Prior Finding Partially Resolved: The Department of Health **did not identify, analyze, and document its internal controls** related to business operations and the schedule of federal expenditures.

Prior Finding Partially Resolved: The department **did not accurately report** financial activity on the Schedule of Expenditures of Federal Awards.

Prior Finding Partially Resolved: The department **did not always comply** with federal suspension and debarment requirements.

The department **did not comply** with state equipment policies and procedures.

The department **did not comply** with state procurement requirements related to special expenses.

- *April 22, 2011*

Prior Finding Partially Resolved: The Department of Health **did not identify, analyze, and document** its internal controls related to business operations and the schedule of federal expenditures.

The Department of Health **did not accurately report** American Recovery and Reinvestment Act (ARRA) funds to the federal government and **did not communicate necessary requirements** to subrecipients receiving ARRA funds.

The Department of Health **inappropriately charged** some federal program costs to a prior grant award period.

- *Dec. 6, 2012*

Department of Health: Grant to Sierra Young Family Institute, Inc.
Special Review

Evidence indicates that the executive director of the Sierra Young Family Institute used a significant amount of grant money for personal expenses and fabricated documents submitted to the Department of Health to conceal the nature of those expenses.

The Department of Health **did not effectively monitor Sierra Young Family Institute's use of grant funds** or its program accomplishments.

- *June 28, 2013*

The Department of Health **overpaid a** approximately \$38,000 to several grantees.

The Department of Health **did not always comply with state and department grant policies to ensure that it adequately monitored grantees.**

The Department of Health **paid grantees for costs that were unallowable** because the grantee incurred the costs before the start of the grant period.

- *March 25, 2015*

The Minnesota Department of Health **did not accurately report** federal expenditures for the Special Supplemental Nutrition Program for Women, Infants, and Children in the State of Minnesota's Schedule of Expenditures of Financial Awards.

The Minnesota Department of Health **did not always perform** financial reviews of local agencies for the Special Supplemental Nutrition Program for Women, Infants, and Children at least once every two years.

The Minnesota Department of Health **did not comply** with the state's agreement with the U.S. Treasury for the transfer of funds from the federal government for the Special Supplemental Nutrition Program for Women, Infants, and Children.

- *March 24, 2017*

The Department of Health **did not have adequate documentation** to support some payroll charges to federal programs.

- *March 1, 2019*

Significant Deficiency in Internal Control Over Compliance. The department **did not have effective internal controls** to ensure it accounted for the correction of funding sources for interagency expenditures.

- *January 2026*

Partially implemented: Minnesota Department of Health **did not utilize the formal risk assessment** to document risks, mitigations, and remediations; instead, they used the System Security Plan.

Department of Education

Office of the Legislative Auditor reports

- *Nov. 6, 2003*

Administration of Certain Federal Nutrition Grants

Conclusion

The Department of Education charged costs to the Provisions 2 and 3 grant (CFDA #10.573) and the Team Nutrition 2001 grant (CFDA #10.574) that did not relate to the accomplishment of the grant objectives. For the Provisions 2 and 3 grant, the department charged \$317,240 for payroll, professional/technical services, and travel costs that did not relate to the grant. For the Team Nutrition 2001 grant, the department charged \$32,034 for payroll costs that did not relate to the grant. The department should have paid for these costs with existing federal nutrition program funding. The department **did not account for** Team Nutrition 2001 grant expenditures separately from other federal grants.

In addition, the department **did not comply with certain grant provisions** of the Provisions 2 and 3 grant and the Team Nutrition 2001 grant. The department did not provide state matching funds to accomplish the grants' objectives, as agreed to in the grant awards. It also did not accurately report Provisions 2 and 3 grant expenditures to the federal government in its quarterly progress reports. In addition, for the Team Nutrition 2001 grant, the department **did not notify** the U.S. Department of Agriculture when its use of funds deviated significantly from the grant's original budgets or when it assigned different employees to the grant than those designated in the application.

- *March 18, 2004*

We identified some internal control weaknesses and federal compliance issues, which we discuss in the following findings.

2. The Department of Education **did not have adequate controls** to prevent overpayments of certain federal programs and **did not properly allocate some federal program funding** to school districts.

4. The Department of Education sometimes allowed vendors to provide services before it fully executed the contract or encumbered funds.

- *March 3, 2005*

As a result of our financial statement audit work, we **identified a weakness** in the department's financial reporting process, which we discuss in the following finding.

- *Sept. 28, 2006*

The department **did not maintain adequate controls** over fixed assets and did not comply with bidding requirements for some purchases.

- *March 27, 2007*

The department's administration of this contract **did not comply with** federal and state requirements, as described below:

- The department used \$347,000 (including \$245,000 of federal funds) for tests not included in the original contract. The department amended the contract after the work was completed to include these services.
- The department **did not properly retain** a percentage of the amount due to the vendor as required by state statute. Minnesota statutes³ require that

state agencies pay no more than 90 percent of the amount due until the department has reviewed the final product and certified that the vendor has satisfactorily fulfilled the contract terms. The department paid \$974,000 to the vendor that it should have retained until it verified that the vendor had satisfactorily completed the services.

- *March 26, 2009*

The Department of Education **did not identify, analyze, and document their internal controls over compliance** with federal single audit requirements.

The department **did not have a comprehensive risk assessment pertaining to its internal controls over compliance** with federal single audit requirements. The department **has an increased likelihood of a control deficiency** if it does not clearly communicate to all staff its risk, control activity, and monitoring policies and procedures.

- *March 12, 2010*

Prior Finding Partially Resolved: The Department of Education **did not identify, analyze, and document** its internal controls over compliance with federal single audit requirements.

The department **did not have a comprehensive risk assessment** pertaining to its internal controls over compliance with federal single audit requirements. The department had an **increased likelihood of a control deficiency** if it did not clearly communicate to all staff its risks, control activities, and monitoring policies and procedures.

- *April 29, 2011*

Prior Finding Partially Resolved: The Department of Education **did not identify, analyze, and document its internal controls** over compliance with federal single audit requirements.

Prior Finding Not Resolved: The Department of Education **did not comply with** federal subrecipient monitoring and notification requirements for federal programs.

The Department of Education **did not always retain** sufficient supporting documentation for reporting two federal programs.

- *Aug. 23, 2012*

The Department of Education **did not sufficiently oversee grants** to the regional public library systems **or adequately monitor their financial activities** to ensure they used money from the Arts and Cultural Heritage Fund in accordance with the specific appropriations.

- *Aug. 23, 2012*

Federal Compliance Audit

Audit Findings

Prior Finding Not Resolved: The Department of Education **did not identify, analyze, and document its internal controls** over compliance with federal single audit requirements.

Prior Finding Partially Resolved: The Department of Education **did not comply with** federal subrecipient monitoring and notification requirements for some of its major federal programs.

- *June 28, 2013*

Audit Findings

Prior Finding Not Resolved: The Minnesota Department of Education **did not identify, analyze, and document its internal controls** related to compliance with federal requirements.

The Minnesota Department of Education did not comply with federal standards for payroll documentation.

- *March 21, 2014*

Audit Findings

The Minnesota Department of Education **did not identify and analyze its risks related to noncompliance** with federal requirements. **This is a repeat finding.**

The Minnesota Department of Education **did not comply with federal standards** for payroll cost allocations to federal programs. **A portion of this is a repeat finding.**

The Minnesota Department of Education **did not comply with the reporting requirements** of the Federal Funding Accountability and Transparency Act.

- *March 25, 2015*

Audit Findings

The Minnesota Department of Education **did not identify and analyze its risks related to noncompliance** with federal requirements. **This is a repeat finding.**

The Minnesota Department of Education **did not comply with** federal standards for payroll cost allocations to federal programs. **This is a repeat finding.**

The Minnesota Department of Education **did not comply with the reporting requirements** of the Federal Funding Accountability and Transparency Act. **This is a repeat finding.**

The Minnesota Department of Education **did not ensure** that all recipients of federal grants through the department met the audit requirements established by the federal government.

Department of Children, Families & Learning

Office of the Legislative Auditor reports

- *March 5, 1999*

The CFL Office of Energy **did not adequately monitor** certain subrecipients as required by federal regulations.

- *March 5, 2001*

Special Review

Department of Children, Families & Learning Grant Administration

The Department of Children, Families & Learning (CFL) **inappropriately initiated a grant agreement** with the United Way of Olmsted County to avoid returning unspent funds to the Pew Charitable Trusts at June 30, 1998. CFL **did not comply with certain provisions** of the Pew Charitable Trusts grant agreement with the State of Minnesota.

CFL **inappropriately established other grant contracts** with counties and nonprofit organizations to avoid funds being returned to grantors or canceled to the General Fund. Program staff arranged for certain counties and nonprofit organizations to hold and expend department funds at the direction of CFL staff. CFL staff **circumvented controls over** program budgets, state procurement, and employee expense reimbursement guidelines by establishing these agreements.

- *March 14, 2002*

A CFL employee **inappropriately contracted** with a relative resulting in violations of statutes and state contracting policies.

PRIOR FINDING NOT IMPLEMENTED: CFL **did not properly record** the date of liability for some expenditure transactions.

- *March 13, 2003*

CFL's contracts with its test development vendor **did not comply** with certain contracting policies.

APPENDIX C

Current agency mission, values and vision statements do not sufficiently emphasize the stewardship of public funds.

Agencies should:

- Revise mission statements, value statements and stated objectives to explicitly prioritize stewardship of state and federal resources
- Proclaim a commitment to protecting the taxpayers' money through prominent fraud-prevention banners on their websites
- Promote proactive alertness and provide simple, accessible reporting mechanisms for the public and employees to report suspected fraud or abuse

Immediately below are samples of some agencies' current, relevant public statements.

Department of Human Services

The Minnesota Department of Human Services (DHS) Mission is driven by collaboration with community and partners – Counties, Tribes, non-profit and for-profit providers – supporting people to thrive in community and live their healthiest and fullest lives. The DHS Vision is that all people in Minnesota have what they need to thrive in community with no disparities.

While the vast majority of human services in Minnesota are provided by our partners, DHS (at the direction of the Governor and Legislature) sets policies and directs payments for many of the services delivered. As the largest state agency, DHS administers about one-third of the state budget. As a steward of a significant amount of public dollars, DHS takes very seriously our responsibility to provide Minnesotans with high value in terms of both the quality of services and accountability for taxpayer dollars.

Our largest financial responsibility is to provide health care coverage for low-income Minnesotans. We are also responsible for providing services for elders; people with disabilities and behavioral health needs; and those experiencing homelessness.

Through our licensing services, we ensure that certain minimum standards of care are met in private and public settings for all Minnesotans. DHS also provides direct service through our regional offices for people who are deaf, deafblind, or hard of hearing; and through DHS Direct Care and Treatment, which provides direct care to people with behavioral health needs or disabilities.

Department of Health

MDH Mission, Vision, and Values

Printable copy: [Mission, Vision, and Values \(PDF\)](#)

Mission

Protecting, maintaining and improving the health of all Minnesotans.

Vision

The vision of MDH is for health equity in Minnesota, where all communities are thriving and all people have what they need to be healthy.

Value statements

Integrity

We are honest, trustworthy, and transparent in all we do. We strive to do the right thing to achieve the best public health outcomes.

Collaboration

We value the diversity and unique contributions of our employees and partners. We develop positive relationships, foster innovative solutions, and strengthen our capacity to accomplish our mission.

Respect

We uphold a standard of conduct that recognizes and values the contributions of all. We foster a working environment in which listening to and understanding our differences is encouraged and confidences are protected.

Science

We use the best scientific data and methods available to guide our policies and actions to promote healthy living in Minnesota. We rely on the objective facts of evidence-based science to build a strong foundation to address health needs and concerns.

Accountability

We are effective and efficient managers of the public trust and public funds and hold ourselves and others to appropriate high standards. We operate with open communication, transparency, timeliness, and continuous quality improvement.

Department of Education

MDE Mission

"Leading for educational excellence and equity. Every day for every one."

MDE Vision

The Minnesota Department of Education provides an excellent education for Minnesota students by implementing Governor Mark Dayton’s 7-Point Plan for Better Schools for a Better Minnesota. We strive for excellence, equity and opportunity by focusing on closing the achievement gap, supporting high-quality teaching, using innovative strategies to improve educational outcomes, and ensuring all students graduate from high school well-prepared for college, career and life.

Department of Children, Youth, and Families

Mission and Vision

The Department of Children, Youth, and Families was established to bring together programs to better serve children, youth, and families.

Vision

An equitable Minnesota where all children, youth, and families are valued and thriving.

Mission

To center children, youth, families, and communities to advance positive and equitable outcomes.

Department of Administration

Mission, Vision, Values, and Strategic Priorities

At the Department of Administration, **we deliver excellent government services every time.** Our mission is to **lead through exceptional service and creative solutions to help our partners succeed.** Our values shape our agency culture and guides the work we do:

- **Teamwork:** We are engaged and collaborate to exceed our partners' expectations.
- **Respect:** We respect our partners and each other.
- **Sustainability:** We help our partners reduce their environmental impacts.
- **Accountability:** We are responsible for our work and our actions.
- **Service:** We value our partners and proactively work to meet their needs.
- **Safety:** We promote a workplace that protects the health and well-being of our team members and partners.
- **Diversity, Inclusion, and Equity:** We believe in One Minnesota, where all people are valued and respected.

APPENDIX D

Several current and former DHS employees have described past messaging from DHS leadership that emphasized compassion over compliance. Former leaders have said that DHS should be guided by 70% compassion and 30% compliance. In a 2023 DHS public presentation, leadership encouraged employees to embrace a 60/40 mindset. This is misguided.

Leadership is responsible for changing the mindset within state agencies to better balance priorities from a current approach of focusing inordinately on the compassion aspect of services provided to focusing rightly on safeguarding the funds. Compassion is a well-placed motivational factor for many state employees whose commitment to helping others is commendable, but that noble motivation should not influence their critically important fraud prevention actions. Providers, not the state, provide direct services. They deliver supplies, give bed baths and take recipients to medical appointments. A programmatic agency's overriding focus should be on ensuring that funding goes to legitimate providers of such services and only to legitimate providers.

APPENDIX E

Concerns have been raised regarding suspected fraudulent activity that may not have been acted upon as required. Past and current employees were interviewed regarding concerns that front-line state employees were instructed to not pursue suspicious activity or not report it to others with authority to act. These cases included allegations that:

- Employees failed to perform required duties
- Employees violated directives or written policies
- Supervisors failed to take employees' allegations seriously
- Supervisors accused employees of racism
- Supervisors failed to elevate concerns to the proper organizational level
- Supervisors engaged in retaliation

A past situation was reviewed and it was determined the allegations were investigated and resolved. The lingering concern is that there may be past allegations of misconduct not yet addressed and other allegations may still be brought forward. All allegations must be investigated to:

1. Gather facts to determine what occurred and whether actions taken (or inactions) were justified
2. If actions or inactions were not unjustified, then
3. Consult with appropriate authorities to hold accountable those who failed to perform their duties

Current leadership has emphasized the importance of fairness in the workplace and encouraged employees to report allegations of misconduct. Anyone with information about possible misconduct or criminal behavior is encouraged to report it. Policies and procedures are in place for reporting, confidentiality and protection. Importantly, there are several alternative options for reporting. If one opts not to report to their supervisor, they should go further up the chain of command or report to external authorities (e.g., the OLA, law enforcement, the governor's office).

Moving forward, agency human resources departments are positioned well, in part because their authority is delegated from MMB, to play a potent role in setting expectations, improving performance and supporting meaningful accountability.

APPENDIX F

To start, outcome-based evaluations of the efficacy of individual programs should be conducted to make informed decisions about whether a program should be shrunk or eliminated. DEED has highly skilled employees capable of conducting such evaluations but would need additional staff to do so.

Evaluate whether consolidating overlapping programs could reduce complexity, duplication and opportunities for fraud.

Consider a moratorium on new providers or limit the number of providers in certain programs so that the number of providers is commensurate with the level of services needed based on the above analyses and objective metrics. Exceptions could be made for unique or specialized needs within a program service area where current providers do not have the capacity or specialized skills to meet the needs (e.g., language or cultural factors; innovative, emerging services/practices).

APPENDIX G

In addition to current background checks and training requirements, other steps should be taken to evaluate and verify the competency and legitimacy of applicants.

Put in place enrollment criteria and audit practices that will identify and deter fraudsters but that will not unduly burden legitimate, trustworthy providers.

If false answers are provided to specific enrollment/application questions, the applicant is denied enrollment. If it is later determined, after enrollment has happened, that false answers were provided, then immediate suspension is imposed and further investigation initiated. Such suspensions are based solely on application falsification and do not have to meet the standards of proof for suspension based on sufficient suspicion of fraud.

Failure to comply with ongoing requirements (e.g., storing records at a single site, immediate access to records, etc.) should result in suspension based on violating enrollment criteria or contract provisions regardless of whether the requisite standard of proof based on suspicion of fraud is met.

All contracts must list names, addresses and contact information for company officers.

Establish unique identifiers for all recipients and providers (individuals and entities).

Enrollment criteria should include financial viability, business plan, and levels of educational competency, as appropriate. Some providers (for example, personal care attendants) do not need to be licensed (which carries with it some substantiation of credibility, professional competence, qualifications and requisite training), but that does mean they could not be vetted more thoroughly at the front end.

APPENDIX H

Clarify and explicitly delineate the roles and duties of all state employees in the process. For example, licensors who note an anomaly or other indicia of fraud must document it and promptly notify their supervisor. Supervisors have a duty to address situations directly and determine whether the concern is a) explainable and may be remedied through training for, or providing other assistance to, a provider, b) requires formal corrective action against the provider, c) justifies initiating the process for prompt suspension of funding or a license, or d) warrants referral to an OIG and law enforcement for investigation.

There needs to be clearer directions to agencies regarding the comprehensiveness of oversight activities. For example, providers are required to submit to agencies an “assurance statement” attesting to having attended program training or fulfilled other program admittance requirements. However, submission of documentation to verify that the requirements have been met are not required or obtained. Explicit language in policies or in legislation could clarify the level of upfront (and ongoing) verification requirements.

Accountability is not one-directional. In addition to addressing employee performance deficits, agencies should also recognize employees performing at a high level. In the fraud arena, agencies should encourage, recognize and reward employees for prevention and detection efforts. DHS is currently revising its Achievement Award and Recognition Policy to provide explicitly for recognizing and rewarding employees for fraud prevention and detection efforts.

APPENDIX I

Administrators of distinct programs should be aware of fraudsters in other programs and be positioned to take immediate action. Universal ID numbers for providers, grantees and recipients would make it easier to promptly identify fraudsters and eliminate the duplication of services across programs.

LoginMN is the state of Minnesota's secure and centralized sign-on service that individuals and businesses use to access state of Minnesota services, programs and applications. It will provide stronger security measures and is built to:

- Improve fraud detection and employ multi-factor authentication
- Use adaptive access linked to the users' behaviors and risk factors
- Protect sensitive data from unauthorized
- Provide individuals and businesses with self-service capabilities, reducing agency work

APPENDIX J

The DHS Tipline system has seen a dramatic increase in fraud related tips in 2025. Email tips have increased by 215%, voicemail tips have increased by 143% and web report tips have increased by 134%.

DHS received over 7,000 tips in 2025. It is taking weeks for the tips to be entered manually into the system and then triaged. It may take over a year for a tip to be referred to law enforcement.

Combining administrative and investigative expertise will lead to more informed decision-making and streamline the process. Safeguards must be in place to ensure the protection of First and Fifth Amendment rights.

APPENDIX K

Create a trusted provider scoring system to focus limited resources on providers most likely in need of assistance or corrective actions. Most audit and investigative resources would be dedicated to C and B rated providers, as well as to situations where credible tips or other reliable information points to suspected fraud. A set percentage of resources would still be dedicated to performing audits and site visits through random selection to promote fairness and encourage compliance by all. Providers would continue to be monitored in accordance with state and federal requirements.

Example:

A Provider

- Long history of trustworthy compliance
- No violations/errors or minimal minor violations/errors
- Timely responsiveness and full, unequivocal cooperation

B Provider

- Shorter history
- Several violations/errors
- Some untimely responsiveness and less than full, unequivocal cooperation

C Provider

- New Provider
- Multiple violations or sanctions
- Substandard responsiveness and cooperation resulting in accountability concerns

APPENDIX L

MMB's Results Management Division has formed three Interagency Program Integrity sub-groups:

1. Data Sharing: Tasked with improving interagency data sharing, infrastructure and use to help early identification and mitigation of potential fraud.
2. Internal Controls Oversight: Tasked with embedding enterprise controls, policies and protocols into designs of all programs.
3. Training: Tasked with producing effective training to improve staff ability to identify and mitigate fraud, waste and abuse.

APPENDIX M

Public trust will only occur if those inside state government trust each other to fulfill their individual duties at each step of operative, result-oriented processes. Without individual accountability for all, those processes will not become embedded throughout the enterprise and, in turn, long-term fraud prevention objectives will be thwarted.

There is a power differential in play. Legislators set policy and determine agency budgets. While they have a responsibility to be responsive to and represent constituents and a duty to act in the best interest of all Minnesotans, there is a line that must never be crossed. For example, there is a stark difference between checking on the status of an appropriation (e.g., predicted timing for posting an RFP, selecting an applicant or distributing funds) and pressuring an agency to circumvent processes. That type of pressure interferes with the consistent and fair application of fraud prevention measures.

Such pressure is most prominent when direct appropriations have been authorized, grants have been awarded or single source providers have been named by the legislature.

In 2017, the OLA stated:

“Agency oversight of grant recipients is especially weak when the Legislature selects and mandates a recipient in law, rather than allowing the agency to select the recipient.

Eliminate Legislatively-Mandated Grantees

RECOMMENDATION:

To ensure an open and fair grantee selection process, the Legislature should not mandate grant recipients in law but allow agencies to select recipients through a competitive process.”

Legislators must not take actions outside of the legislative process that undermine executive branch prevention efforts or processes by attempting to substitute their judgement for that of state employees who have the training and expertise to execute fraud prevention measures. Exerting improper influence is misguided, unacceptable and wrong. A legislator’s opinion that a particular provider is trustworthy is not determinative and should carry no weight in an agency’s enrollment determinations, processes for awarding of contracts, oversight actions or funding and licensing suspension decisions. Assertions that a potential or current provider has a fine reputation in the community, participates in

worthy civic or charitable organizations, is represented by a highly respected attorney, appears to live modestly or drives an older model car are irrelevant.

The legislature should also be mindful of actions taken within the legislative process that may undermine the effectiveness of executive branch fraud prevention actions.

For example:

On Aug. 26, 2020, the Office of Inspector General – Financial Fraud and Abuse Division sent a letter to the Controlling Individual of an Early Childhood Care Center that had been receiving funding through the Child Care Assistance Program (CCAP). The letter informed the Controlling Individual that they were “disqualified from receiving CCAP payments for **three (3) years.**” (emphasis in original) The letter explained that the disqualification was because the Early Childhood Care Center did the following:

- “Provided care to infants outside the terms of [its] childcare license ...
- Over a period of years, knowingly and repeatedly billed for infant care when the center was not licensed to care for infants.
- Willfully withheld information for the purpose of receiving CCAP payments.
- Gave statements that were not honest and truthful.
- Committed acts or omissions that resulted in abuse of CCAP payments.”

The letter cited documentation showing that over a 10-year period the Early Childhood Care Center received overpayments totaling \$571,583.49.

In the next legislative session, a bill was introduced for a “grant ... for operating costs affected by child care (sic) assistance overpayments.” The amount of the proposed “onetime appropriation” was \$571,584. Additional language in the bill: “the commissioner shall not collect the remaining balance of the child care (sic) assistance overpayments from the day school...” (See S.F. 796, dated 02/11/2021)

The proposed legislation did not become law.

APPENDIX N

- Expand the role of MMB relating to oversight through authority to verify.
- Assign an MMB auditor to each agency with program or grant management responsibilities.
- Auditor reports to MMB, not to the agency head.
- Auditors' expanded duties would include validating agency responses, verifying improvement plans are in place, and monitoring progress.
- Make the Annual Control System Assessment Tool more effective by turning it into a living document: establish timelines, require quarterly updates on each project's progress, identify obstacles and solutions to keep projects on track.
- MMB has five employees handling current duties; additional staff would be needed to perform expanded duties.
- MMB is currently developing a new program-specific risk assessment tool that is projected to be rolled out by summer 2026.

