

Fraud in Minnesota: Impacts to Faribault & Martin Counties

KEY TERMS

FRAUD: Intentional deception to get a benefit or payment that someone is not entitled to (or to avoid an obligation)

ABUSE: Improper use or misuse of a program, position, or authority that leads to unnecessary cost or improper benefit

WASTE: Careless, inefficient, or unnecessary use of resources that drives extra cost, often without intent to deceive

ERROR: mistakes and/or non-compliance in how programs are administered. Errors are typically categorized as client errors, agency administrative errors or fraud

PROGRAM INTEGRITY: the set of strategies, controls, and activities used to ensure public programs are administered correctly, so the right people get the right services/benefits, with the right payments, while preventing/detecting/correcting fraud, waste, and abuse and recovering funds when appropriate

A TIMELINE OF CONTRIBUTING FACTORS

2004

- Statewide launch of consumer directed supports. Increased flexibility and personal choice.

2011

- Provider enrollment for substance use disorder contracts shifted to the state.

2014

- Provider enrollment for waiver services shifted to the state.
- State assumes authority for how disability services are evaluated.

2020

- Pandemic response
- Influx of funding from the federal government through the American Rescue Plan Act

2025

- Compliance concerns
- Media spotlight surrounding human service programs

HUMAN SERVICE PROGRAMS IN THE NEWS



Feed 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.
- State enrolls and licenses the corporate providers.
- **County has shared role with state in program integrity.**

FEDERAL-STATE-LOCAL ROLES



FEDERAL AGENCIES

Provides program oversight

Funds large portions of human service programs to states

Creates and defines regulations, policies and guidance to states



MINNESOTA

Interprets federal guidance and applies additional rules/programming

Provides a layer of oversight

Distributes funding to counties



COUNTY

Completes the day-to-day operations of human service programs

Complies with both state and federal regulations and performance standards

Provides critical supports to eligible people within F&M Counties.

FEDERAL ACTIONS IMPACTING THE AGENCY:

- **Supplemental Nutrition Assistance Program (SNAP):** Suspension of SNAP program (benefits and administrative funds). Courts have issued a preliminary injunction. Minnesota continues to operate at usual however we are monitoring for future funding interruptions as the case works through the legal system.
- **Social Services Funding:** Funding frozen to Minnesota. Currently under restraining order. Minnesota is operating program as usual; however, we are monitoring for funding interruptions as the case works through the legal system.
 - **Childcare and Development Fund (CCDF)**
 - **Social Services Block Grant (SSBG)**
 - **Temporary Assistance for Needy Families (TANF)**
- **Medicaid:** Centers for Medicaid (CMS) announced withholding of Medicaid funds to Minnesota.
- **Behavioral Health:** Attempt to terminate 2 billion in mental health funding. Decision reversed. Minnesota Office of Legislative Auditor reports mismanagement of grants in Minnesota. Currently operating as usual, but preparing for potential impacts.
- **Public Health:** Federal grants have been cancelled to Minnesota. Courts have issued preliminary injunction. Minnesota counties continue to operate at usual, however, we are monitoring for potential future impacts.

LOCAL IMPACTS OF SITUATION

PEOPLE WE SERVE

- Disruptions in Access to Essential Services
- Increased fear and avoidance of services
- Increased strain and stigma on already fragile households
- Erosion of trust in human services system

PROVIDERS

- All providers being lumped together as “fraudsters”
- Damaged provider-client relationships
- Increased administrative burden and compliance pressure
- Staff burnout and workforce instability
- Operational disruptions and financial strain

WORKFORCE

- Increased workload and role strain
- Moral distress and emotional toll
- Erosion of trust and safety in day-to-day work
- Uncertainty in funding streams and program continuity
- Hesitation on job security

HUMAN SERVICES OF FARIBAULT & MARTIN COUNTIES FRAUD PREVENTION ACTIVITIES

- Annual, department-wide trainings for fraud, waste, and abuse
- Regular internal and external audits
 - Internal controls:
 - Two independent signatures required prior to processing any payments
 - Third party reviewing expenses and billable revenues to identify abnormalities or concerns
 - External controls:
 - CLA audit + single audits conducted annually
- Channels for reporting fraudulent activity
 - Office of the Inspector General
 - Fraud investigator - Emily Bonin (Faribault County Sheriff Dept)
- Case reviews and consultations
 - Each department reviews cases to ensure compliance with program rules and requirements.
 - Home modification requests, rate exceptions and consumer directed support services have additional scrutiny with waiver program
- Verification checks for applicants and vendors (OIG process)
- Stringent competitive procurement and contract policies