



Fraud prevention and enforcement in early childhood programs

Shireen Gandhi | Temporary Commissioner, DHS

Program Integrity Values

- Minnesota is a state that is committed to helping people — and we're committed to providing services that improve the lives of Minnesotans.
- Fraud hurts the people who need our services and erodes public trust.
- DHS is committed to our responsibility for monitoring noncompliance and rooting out fraud.

Scope of fraud detection

- DHS prevents, detects and investigates fraud in the following early learning programs:
 - [Child Care Assistance Program \(CCAP\)](#)
 - [Great Start Compensation Support Payment Program](#)

Child Care Assistance and Program Integrity

DHS recognized the risk of fraud in the Child Care Assistance Program (CCAP) and created the Child Care Audits & Investigations Unit (CCAI) in 2013.

- The CCAP team includes 4 investigators.
- Since 2020, CCAI has recovered about \$2.4 million.
- Since 2021, CCAI has referred an average of 5 cases to law enforcement each year for criminal investigation.
- Since 2021, DHS has stopped payments to 79 CCAP providers.



Case examination & workflow

State identifies concerning information about a program



Administrative process to determine if concerns warranted



Investigations



Accountability: administrative actions, civil remedies, criminal prosecution

Fraud investigations

- Criminal fraud is broadly defined as the intentional deception of a person or entity for monetary or personal gain.
- Fraud investigations are initiated based on tips, complaints, and data analytics.
- DHS collaborates with law enforcement to prosecute fraud.
- When DHS finds suspected fraud, it refers the case to the Bureau of Criminal Apprehension (BCA) for criminal investigation. DHS also works with federal law enforcement partners, including the Federal Bureau of Investigation (FBI).



Referrals to the BCA



What happens when DHS refers a case to the BCA?

- If the BCA accepts the referral, they conduct a criminal investigation into the suspected fraud.
- DHS and BCA investigations typically occur concurrently.
- DHS can take administrative action, like stopping payment and disqualifying the program from CCAP.
- The BCA works with county attorneys to prosecute cases of fraud.

DHS Administrative actions

- While DHS works closely with law enforcement and prosecutorial partners, we also take administrative actions for noncompliance.
- The CCAP program has requirements providers must follow as a condition of participation. These requirements are designed to ensure public dollars are spent wisely and reach families that depend on these funds to support their livelihoods.
- Administrative actions include: monetary recoveries, fines, administrative disqualifications, and payment withholds.

Prevention, Licensing, & Program Integrity

Prevention

- The “Early and Often program” provides technical assistance to new programs and ensures upstream program integrity oversight so new programs can flourish.

Licensing

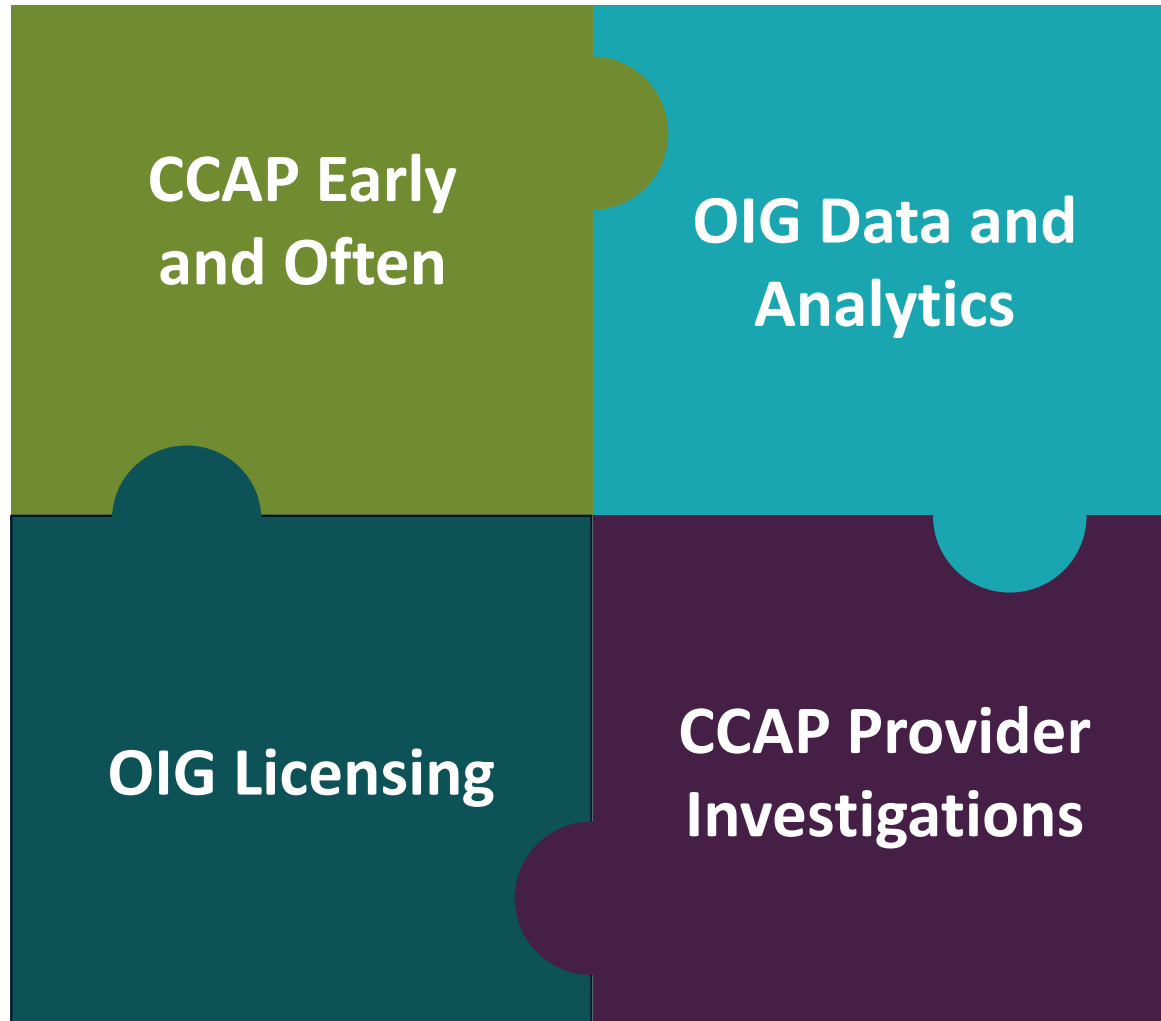
- Health and safety
- Supervision, capacity, ratios
- Physical space
- Trainings
- Background studies

Program integrity

- Detects and investigates fraud and errors
- Investigations based on tips and data analysis
- Takes administrative action
- Refers credible allegations of fraud to law enforcement

Collaboration across systems

CCAP Program Integrity Tools



Partners

Bureau of
Criminal
Apprehension
(BCA)

County
Agencies

Range of violations



Licensing Violation

- Cleanliness of program
- Equipment in disrepair
- Not meeting staffing ratios
- Failure to post license

Licensing violation that requires further investigation

- Missing, incomplete attendance records
- No children or staff present when the center is approved to operate

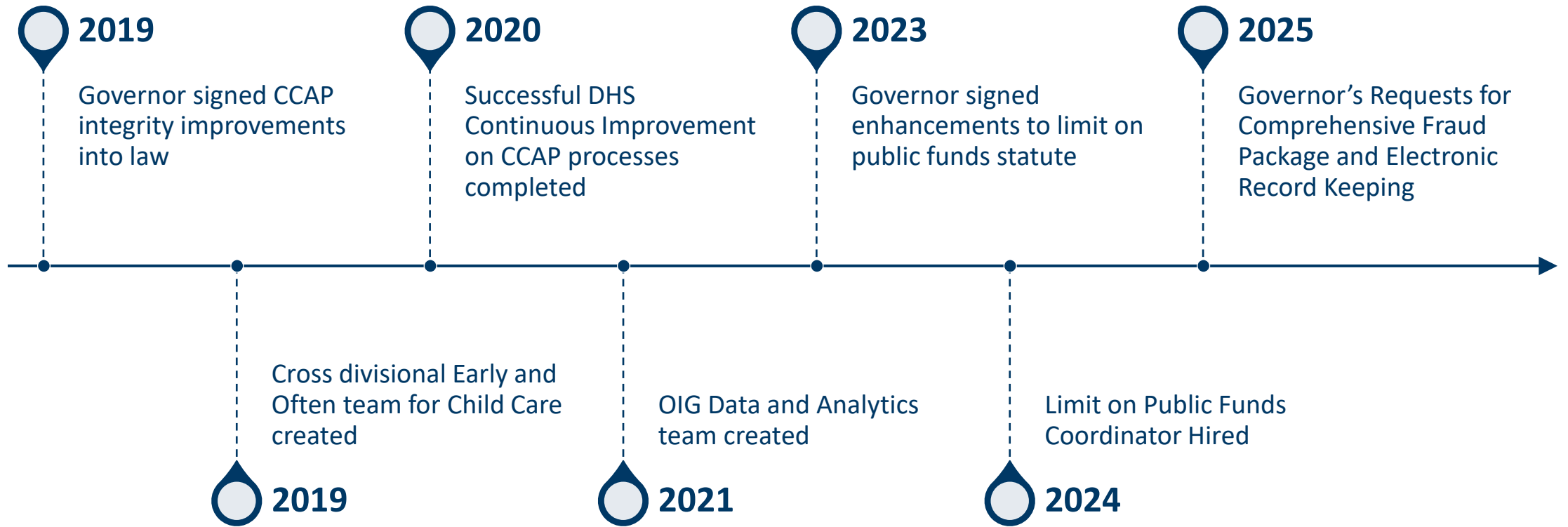
Fraud

- Billing for services that were not provided

Payment withholds

- If a provider's license is active, licensing violations alone do not affect their ability to receive CCAP payments.
- Licensing violations typically are for provider noncompliance, and most of these violations do not meet the legal definition of fraud. [Under state law](#), DHS can withhold or end CCAP payments if:
 - There is a credible allegation of fraud
 - The provider is operating after receiving an order of suspension, revocation or decertification
 - The provider intentionally gives false information on billing forms or submits false attendance records
 - The provider refuses access to attendance records

Enhancements to Program Integrity



2019 CCAP Program Integrity Changes

Administrative Sanctions

- Expanded use of administrative sanctions to quickly stop payments
- Issuing disqualification notices to non-compliant providers
- CCAP registration closed or terminated for non-compliant providers

Record Keeping Requirements

- Created a methodology and tool for overpayment calculation

Provider Oversight

- Cross-divisional “Early and Often” compliance team created
- Researched electronic recordkeeping tool. Request in Governor’s FY 26-27 Budget
- Developed change of ownership process for license holders

Law Enforcement Collaboration

- Updated contracts with BCA
- Additional BCA agents to investigate fraud

2023 Limit on Public Funds Enhancements



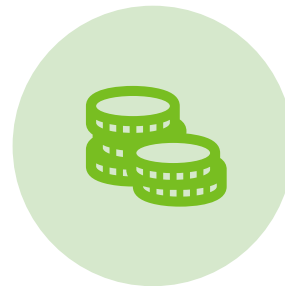
Strengthened limits on receiving public funds



Expanded DHS ability to disenroll, suspend or debar providers, vendors or individuals if there are credible allegations of fraud or pending investigations for programs administered by other State or federal agencies



Added ability to withhold payments based on a credible allegation of fraud in programs administered by State or federal agencies



Funded one position for a limit on public funds coordinator and two trainer positions

2025 Governor's Recommendations

The Governor's Budget include a comprehensive approach to strengthen the state's ability to detect, prevent and address fraud:

- Increased capacity for program integrity investigations
- Expanded authority for data sharing
- Expanded authority for payment withholds, program suspension, and background study disqualifications
- Prohibition on kickbacks
- Statewide electronic attendance recordkeeping system for the Child Care Assistance Program
- Staffing for DCYF's Compliance Office

Governor's Budget DHS Items in Fraud Package



Investments

FY 2026-27 - \$7.2M

FY 2028-29 - \$ 9.5M

Comprehensive approach with multiple strategies to strengthen the state's ability to detect, prevent and address fraud includes:

- Increased staffing in the agency's Program Integrity Oversight operations to increase capacity to investigate alleged fraud
- Increased staffing in the agency's Program Integrity and Provider Eligibility and Compliance Unit to strengthen the agency's ability to conduct provider enrollment and prevent potential fraud from occurring on the front end
- Increased staffing for internal controls audit investigations

Governor's Budget DHS Items in Fraud Package

Expanded authority in licensing, payment withholds, and data sharing, including statutory changes to:

- Authorize the sharing of investigative data across agencies
- Expand authority to immediately suspend a program's license if a controlling individual, not just the license holder, is criminally charged with offenses such as fraud or theft
- Allow for a payment withhold when there is a criminal conviction related to fraud involving another state or federal agency
- Allow for a payment withhold when a license is revoked or suspended, by DHS or other state/federal agency
- Allow for a payment withhold when an entity or associated individual has a background study disqualification

Governor's Budget New background studies disqualification to address fraud and misuse of funds



Investments

FY 2026-27 - \$512K

FY 2028-29 - \$508K

A new background studies disqualification would prohibit an individual who is under active investigation for fraud from holding any position involving ownership, management or control, or billing activities in the program for which the background study is conducted.

New authority will enable DHS to disqualify people under active investigation for fraud from working in programs serving children and vulnerable adults with billing access and receiving public funds.

Governor's Budget Investments in DCYF Program Integrity



Investments

FY 2026-27 - \$ 5.4 million

FY 2028-29 - \$ 2.8 million

- Statewide electronic attendance recordkeeping system for the Child Care Assistance Program
 - Required infrastructure for other changes required by new federal rule
 - Supports program integrity and fraud prevention/detection
- 2 Compliance FTEs
 - Enhance DCYF's internal process controls, grant monitoring, and data analytics

Department of Children, Youth, and Families (DCYF) transition

Licensing functions that will transfer from DHS to DCYF.

- Family child care licensing
- Child care center licensing
- Child care center certification
- Child foster care licensing
- Private child-placing agency licensing

Program Integrity functions that will transfer from DHS to DCYF

- Child Care Audits & Investigations
- Fraud Prevention Investigations

Conclusion



- DHS is committed to our responsibility for monitoring noncompliance and rooting out fraud.
- Child care providers are the workforce behind the workforce.
- CCAP is critical to ensuring that all children receive high quality child care and their parents are able to go to work and school.
- Program integrity requires a continuous improvement mindset.

Thank you!