

**Minutes**  
**AUDIT SUBCOMMITTEE**  
**Legislative Audit Commission**  
**March 13, 2019**

Audit Subcommittee Members Present:

Senator Michelle Benson  
Senator Mary Kiffmeyer  
Senator Ann H. Rest

Other LAC Members Present:

Senator Matt D. Klein  
Senator Mark W. Koran  
Representative Tina Liebling  
Representative Duane Quam

Audit Subcommittee Members Absent:

Representative Sondra Erickson

Other Legislators Present:

Senator Julie Rosen

Senator Mary Kiffmeyer, called the Legislative Audit Commission (LAC) Audit Subcommittee meeting to order at 9:30 a.m. The purpose of the meeting was to release the special review, *Child Care Assistance Program: Assessment of Fraud Allegations*.

Jim Nobles, Legislative Auditor, introduced himself and discussed the allegations that emerged in May 2018 from televised news stories and statements by a former employee of the Minnesota Department of Human Services (DHS) that resulted in the Office of the Legislative Auditor (OLA) conducting a special review on the Child Care Assistance Program (CCAP). He then introduced Elizabeth Stawicki, Legal Counsel, who assisted Mr. Nobles in investigating the fraud allegations. The CCAP allegations included that fraud in Minnesota amounted to about \$100 million annually. In addition, CCAP fraud money was being sent to foreign countries where terrorist organizations used the money to fund their operations.

OLA's assessment was that there was more fraud than has been proven; however, the evidence did not get to \$100 million. No reliable estimate could be made by either OLA or DHS. Mr. Nobles stated that money is being sent via wire transfers, but there was no proof that the money was going to terrorists. Mr. Nobles stated that the Legislature and DHS must provide new laws and regulations to combat fraud in CCAP.

Senator Kiffmeyer then introduced Commissioner Tony Lourey and Deputy Commissioner Chuck Johnson from DHS. Commissioner Lourey stated that DHS is committed to ensuring CCAP is available for low-income parents. He stated that DHS had taken steps before OLA's review, and DHS conducted their own internal controls report. Deputy Commissioner Johnson stated that DHS has proposals that include enhancing attendance records, better use of data analytics to find high-risk providers, and establishing penalties to put providers on notice when fraud is suspected.

Senator Kiffmeyer adjourned the meeting at 10:35 a.m.

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Senator Mary Kiffmeyer, Audit Subcommittee Chair

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Mary Moser, Recording Secretary