Legislative Report

Financial Crimes and Fraud Section Annual Report

February 1, 2026

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Introduction

Minnesota Statute 299C.061 requires the superintendent of the Minnesota Bureau of Criminal Apprehension (BCA) to prepare an annual report by Feb. 1 of each year for the commissioner, governor and legislature on BCA Financial Crimes and Fraud Section (FCFS) activities for the preceding calendar year.

The report is to include the following data:

- The number of investigations initiated.
- The number of allegations investigated.
- The outcomes or current status of each investigation.
- The charging decisions made by the prosecuting authority of incidents investigated by the section.
- The number of plea agreements reached in incidents investigated by the section.
- The number of reports received under subdivision 7 (from state agencies).
- The number of state agency referrals to the state Medicaid Fraud Control Unit reported to the superintendent under paragraph (b).
- Any other information relevant to the section's responsibilities.

Additionally, no later than Jan. 15 on odd-numbered years, each state agency that is required to make referrals to the state Medicaid Fraud Control Unit in accordance with Code of Federal Regulations, title 42, section 455.21(A)(1)(a), and section 256B.04, subdivision 10, must report certain data. The following data must be included in the report on those years:

- The number of cases referred to the state Medicaid Fraud Control Unit.
- The number of referrals accepted by the state Medicaid Fraud Control Unit.
- The number of referrals declined by the state Medicaid Fraud Control Unit.

This report contains information pertaining to BCA FCFS activity occurring from Jan. 1 through Dec. 31, 2025.

Background

The Minnesota Legislature established the Commerce Fraud Bureau (CFB) at the Minnesota Department of Commerce in 2004 to conduct criminal investigations into cases involving insurance fraud and financial crimes. Sworn personnel undertook complex investigations requiring a level of expertise that is often beyond the scope, capacity or expertise of other law enforcement agencies. As such, the CFB collaborated with local, state and federal law enforcement agencies to apprehend those responsible for committing these crimes. Investigation types included fraudulent health insurance claims, businesses illegally trying to avoid paying workers' compensation insurance premiums, cyber financial crimes, property and casualty insurance schemes, funeral insurance fraud and more.

In 2025, Minnesota Governor Tim Walz signed Executive Order 25-01, shifting the personnel and duties of the CFB to the Minnesota Department of Public Safety's (DPS) BCA, which has also long provided statewide investigative and specialized law enforcement services related to a variety of financial crimes. Centralizing both departments' resources and expertise under a single statewide law enforcement entity improves investigative consistency, transparency and efficiency of fraud investigations.

Today, the BCA's FCFS operates under Minn. stat. 299C.061, investigating a variety of crimes related to financial fraud and identity theft. Agents conduct independent investigations and work in partnership with local law enforcement to combat crime in local communities. Investigations focus on four primary crime categories:

- Fraud involving state-funded or administered programs or services
- Insurance fraud
- Wage theft
- Financial crimes related to identity theft

In addition, the FCFS provides services to help law enforcement agencies prevent automobile theft crimes in local communities through its Automobile Theft Prevention Program.

BCA FCFS structure

The FCFS comprises a team of highly specialized agents, analysts and other personnel who conduct criminal investigations and, through the BCA-led Minnesota Financial Crimes Task Force (MNFCTF), provide technical, investigative, forensic and analytical support to agencies across Minnesota. The team includes:

- One special agent in charge (who also serves as commander of the MNFCTF)
- Four assistant special agents in charge
- Thirty-two special agents
- Seven criminal intelligence analysts
- Two senior investigators

The efficiencies gained by bringing the CFB into the BCA as the new FCFS will allow the BCA to add more resources to financial crimes investigations in 2026. The BCA has also identified efficiencies in digital media evaluation and other processes that have created space for agents to dedicate more time to case work.

Each of these employees is dedicated to investigating financial crimes and fraud and leading automobile theft prevention efforts across Minnesota.

Investigative requests

Cases for investigation are referred to the FCFS through four primary sources:

- The public
- Insurance companies
- Law enforcement agencies
- Other governmental regulatory entities

Each complaint is reviewed to determine if the information submitted articulates a sufficient basis for the FCFS to initiate a criminal investigation into the alleged crime.

Additional summary data

Minnesota Statute 299C.061 requires reporting from two additional sources that may or may not be related to FCFS investigations.

- Annual reporting by state agencies of suspected state program fraud in excess of $10,000.
- Biannual reporting of state agency referrals to the Minnesota Attorney General's Office Medicaid Fraud Control Unit.

Minn. Stat. 299A.681 requires a separate report summarizing the specific activities of the MNFCTF. These annual reports are also posted on the BCA website.

Overview

The FCFS in 2025 strove to meet Minnesota's financial crimes investigative challenges and worked to implement new processes while supporting the efforts of law enforcement agencies in communities across Minnesota.

- The FCFS received 2,889 case referrals in 2025.
- After a review of the facts in complaints, the FCFS initiated 259 investigations consisting of at least 538 allegations of financial crime in 2025. The majority of these 2025 investigations are ongoing in addition to cases started in previous years.
- The FCFS referred 39 cases to state and federal prosecutors in 2025. Some of these investigations began prior to 2025. Thirty-three were accepted for prosecution, four were declined by the prosecutor, and two are awaiting a charging decision.
- FCFS investigations resulted in state or federal criminal charges filed with an economic impact of $33,364,581 in 2025.
- The five largest areas of suspected fraud and financial crimes reported to the FCFS during 2025 were:
    1. State program fraud
    2. Theft by swindle, false representation and related crimes
    3. Social Security disability fraud
    4. Cryptocurrency-related fraud
    5. Identity theft
- The five largest areas of suspected insurance fraud reported to the FCFS during 2025 were:
    1. Automobile insurance
    2. Homeowner's insurance
    3. Healthcare insurance
    4. Device protection
    5. Life insurance
- FCFS investigations ultimately resulted in 14 plea agreements by prosecution entities. Plea agreements in 2025 in many instances arose from cases investigated in prior years.

This table details the outcome or current status of cases opened for investigation by the FCFS in 2025 as required by Minnesota statute 299C.061, subdivision 8(a)(3). Per the statute, the data in the table below includes only cases that were opened in 2025.

Case status	Count of case status
Arrest	1
Closed – assist	32
Closed – no arrest	14
Closed – unfounded	9
Declined by prosecutor	2
Open	168
Referred for prosecution	4
Referred to another agency	15
Total	**246**

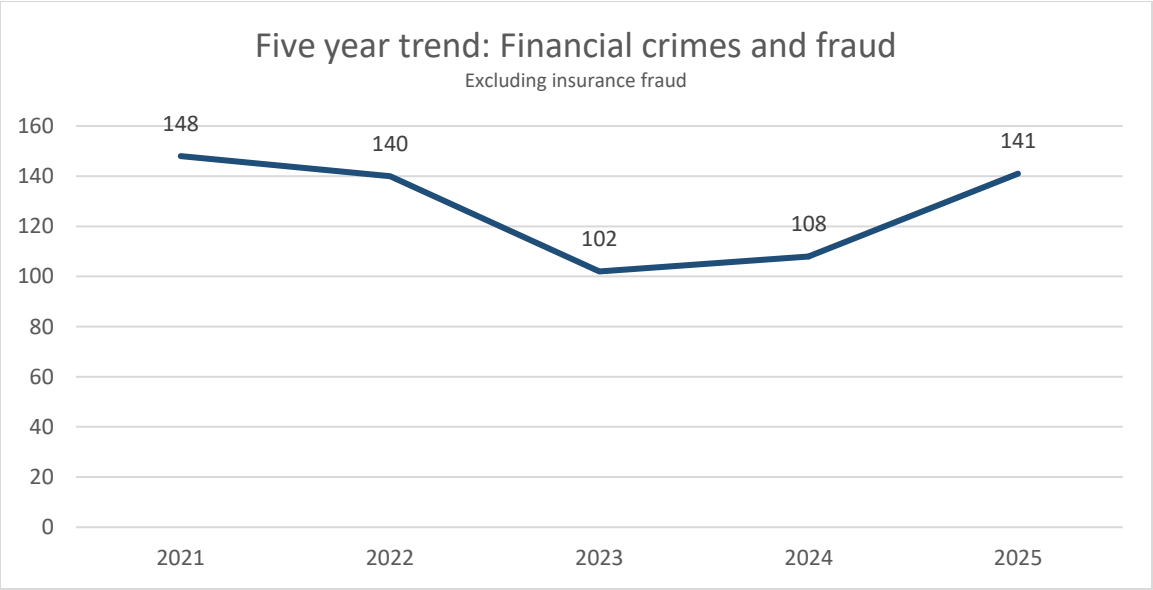
The following data was received by the FCFS for the purposes of inclusion in this report:

- State agencies reported 652 incidents of state program fraud with a suspected financial loss of $10,000 or more.

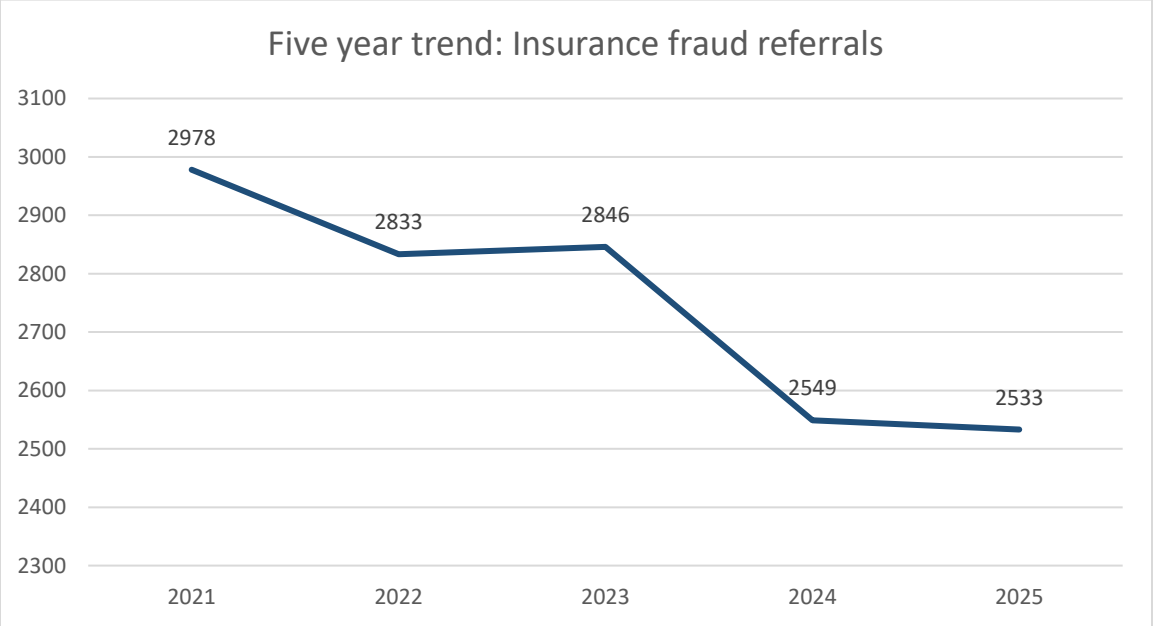
Section activity trends

Case activity trends may reflect crime trends over several years, an increased awareness of crime activity, improved reporting mechanisms or a combination of factors. Below are several key trends in FCFS activity.

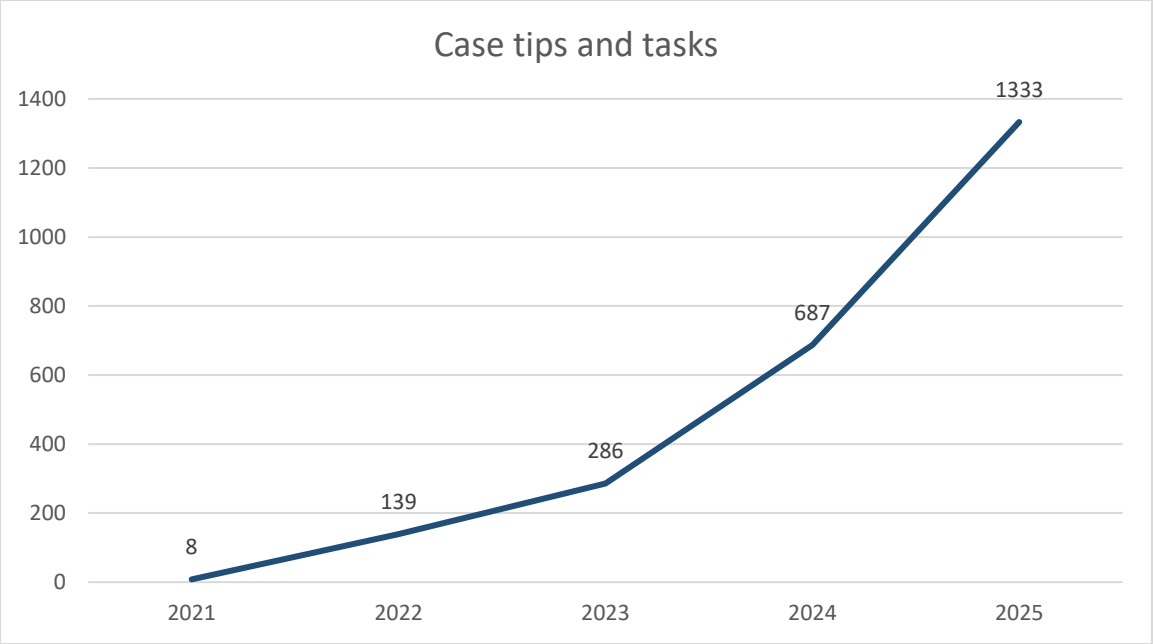
Case referrals by year



The figure above demonstrates financial crimes and fraud investigations opened over the previous five years, excluding insurance fraud.



This graphic represents the total number of insurance fraud cases referred for investigation during each of the previous five years.



This chart reflects financial crime leads from external sources and requests for FCFS investigative assistance from law enforcement partners, which may originate inside or outside the BCA.

2025 case referrals by type of fraud

Financial crime type	2021	2022	2023	2024	2025
Childcare fraud	4	3	6	1	2
Disability	24	21	24	19	24
Forgery/Fraud	10	25	25	21	26
Identity theft	12	11	1	2	2
Theft	5	10	11	6	21
Theft by swindle	7	11	5	14	17
State program fraud	N/A	N/A	N/A	N/A	246
Unemployment fraud	55	15	6	14	2

The chart above displays the most frequently reported financial crimes and fraud case types referred or opened for investigation over the past five years, excluding insurance fraud.

Additionally, four FCFS special agents are trained in cryptocurrency tracing. They conducted 74 traces in 2025 with a combined value in excess of $7.2 million. These losses were largely related to romance scams and thefts by swindle.

Insurance referral type	2021	2022	2023	2024	2025
Agent and broker	53	73	51	81	27
Automobile	1,731	1,782	1,628	1,346	1,416
Commercial	64	74	83	68	65
Device	23	51	85	127	149
Disability	16	12	36	37	35
Health care	300	116	153	205	220
Homeowner's	341	415	326	339	304
Life insurance	72	66	94	103	120
Mortgage	18	26	58	39	3
Workers' compensation	122	137	152	145	102
Other insurance fraud	197	45	82	26	78
Assist other agency	41	36	98	33	14

The chart above shows all insurance fraud referrals received over the past five years.

State program fraud referrals

The FCFS investigates state program fraud crimes involving:

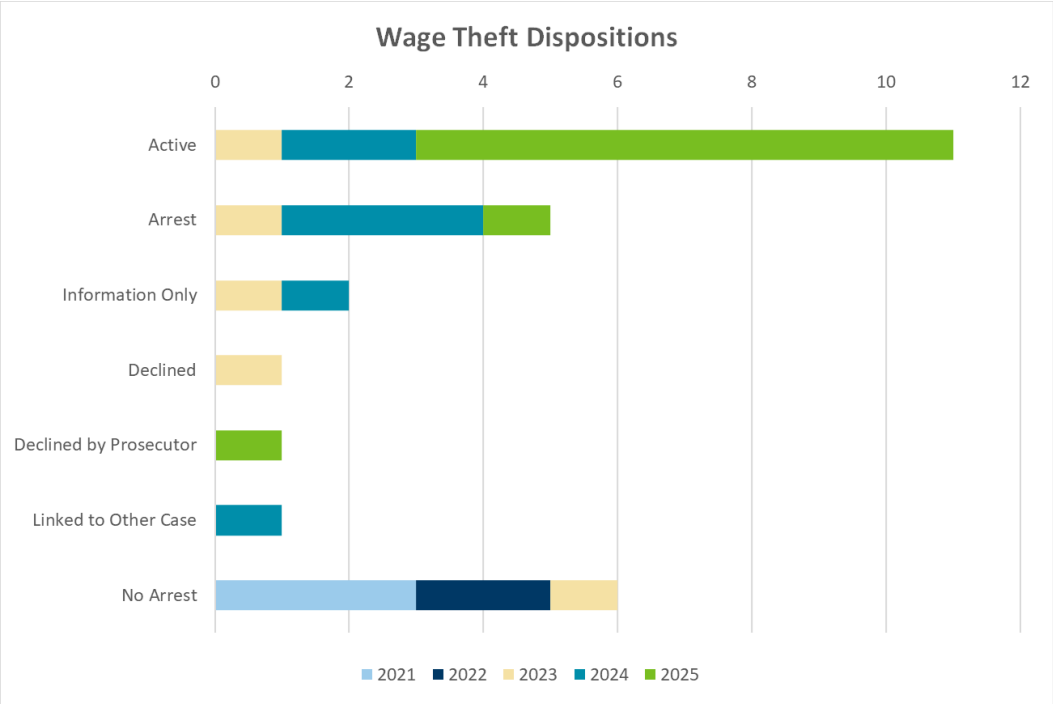
- Theft of public funds
- Fraud against programs funded or administered by state government
- Fraud committed against individual Minnesotans

This does not include investigations of fraudulent activity of programs funded by federal dollars, such as Medicaid program fraud, which is investigated by the Minnesota Attorney General's Office Medicaid Fraud Control Unit, or investigations of tax fraud related to state program fraud which is investigated by the Minnesota Department of Revenue. In those instances, the allegations were referred to the appropriate agency.

The FCFS received 246 complaints involving theft or fraud targeting state programs in 2025. Forty-six of the cases were referred to other agencies with primary investigative jurisdiction. The FCFS reviewed and closed 165 of the referrals due to insufficient information or lack of a criminal predicate. Thirty-five referrals are under active investigation.

Wage theft referrals

Wage theft is when an employer doesn't pay an employee what they are legally owed. It can also include things like paying employees less than minimum wage, making illegal deductions from wages, not paying overtime and other illegal acts. The following chart depicts the changes in the number of wage theft referrals received during the previous five years.

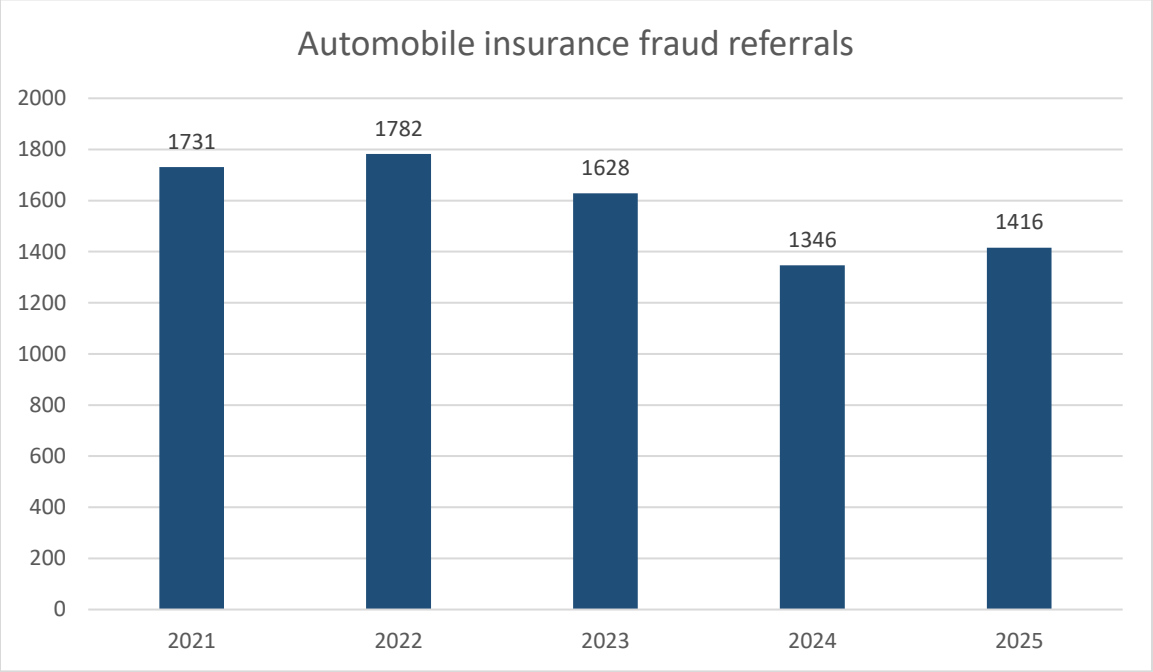


Automobile insurance fraud referrals

Auto insurance fraud may be attempted in several ways. Material misrepresentation occurs when the insured makes an untrue statement about coverage or events. For example:

- Staging accidents
- Windshield replacement scams
- Filing false claims for pre-existing damage; insurance after the fact
- Towing scams
- Auto insurance premium evasion
- Filing false reports of vehicles stolen
- Driving without insurance or with limited insurance coverage

The following chart depicts the changes in the number of automobile insurance fraud referrals received during the previous five years.

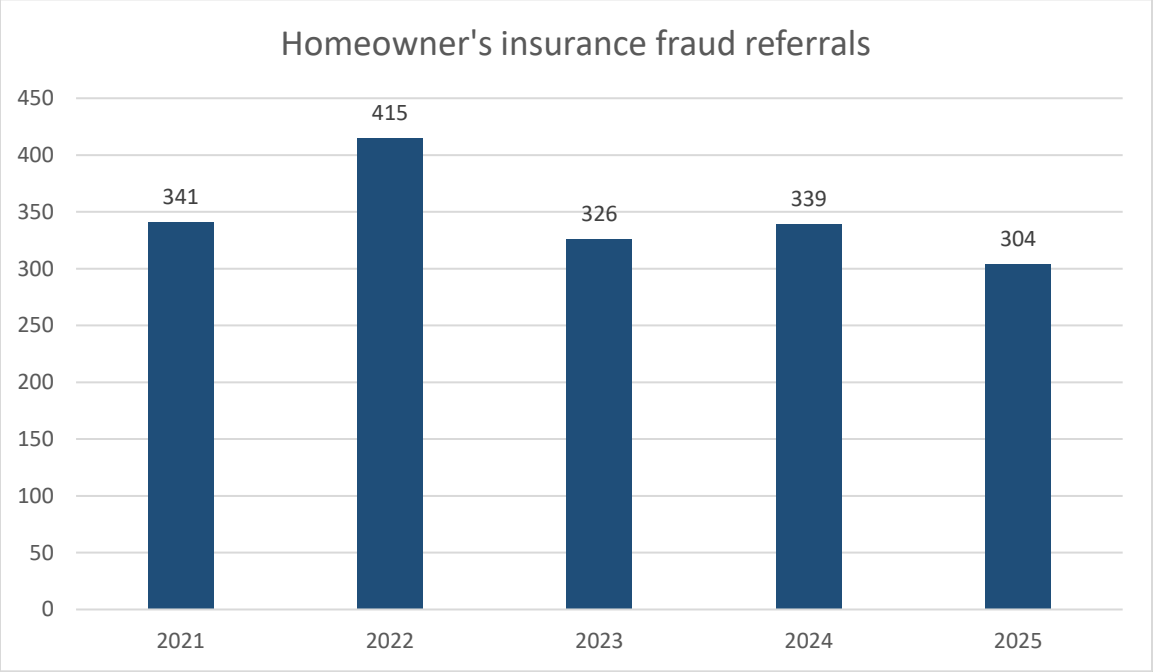


Homeowners insurance fraud

Homeowners insurance fraud may be attempted in a variety of ways. For example:

- Intentionally damaging property to make a claim
- Overstating value of stolen items
- Falsifying documents or statements of coverage
- Concealing that a residence is used as a rental property or being used for commercial business
- Claiming old, existing damage as new damage
- Kickback from a contractor inflating a claim to cover a deductible

The following chart depicts homeowner's insurance fraud referrals received during the previous five years.

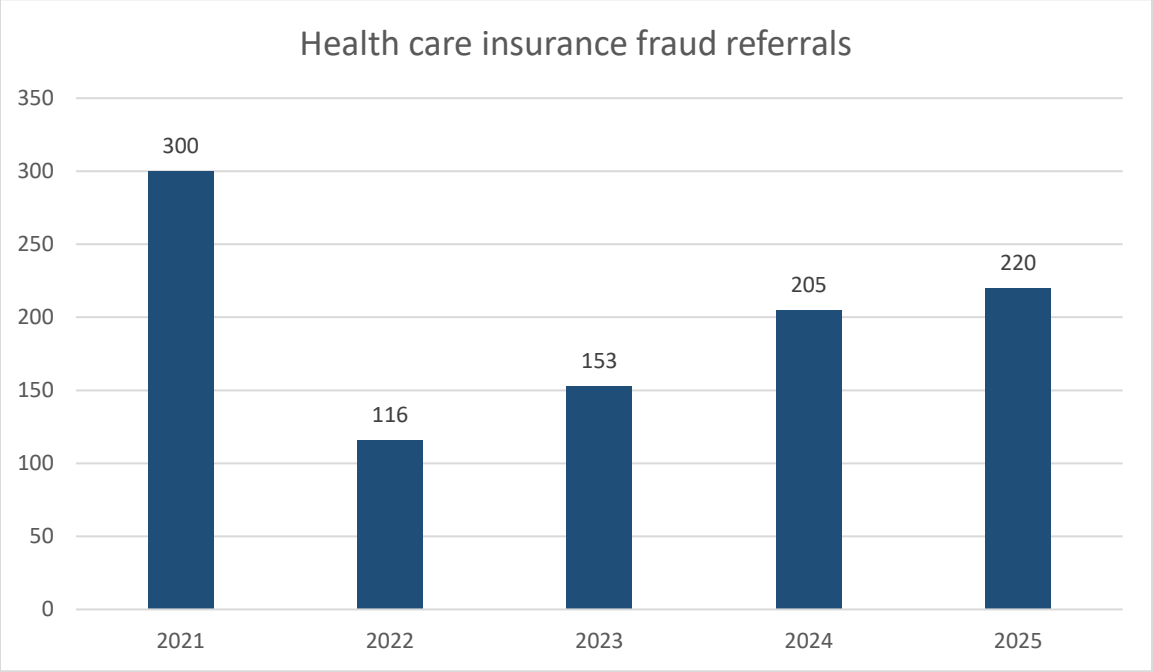


Health care insurance fraud

Health care insurance fraud may be attempted in a variety of ways. For example:

- Filing claims for services or medications not received
- Forging or altering bills or receipts, or misrepresenting dates or location of service
- Using someone else's coverage or insurance card
- Billing for services not actually performed
- Falsifying a patient's diagnosis to justify tests, surgeries or procedures that aren't medically necessary
- Staged auto accidents with fictional injuries and fraudulent inaccurate claims for injury treatment

The following chart depicts the changes in the number of healthcare insurance fraud referrals received during the previous five years.

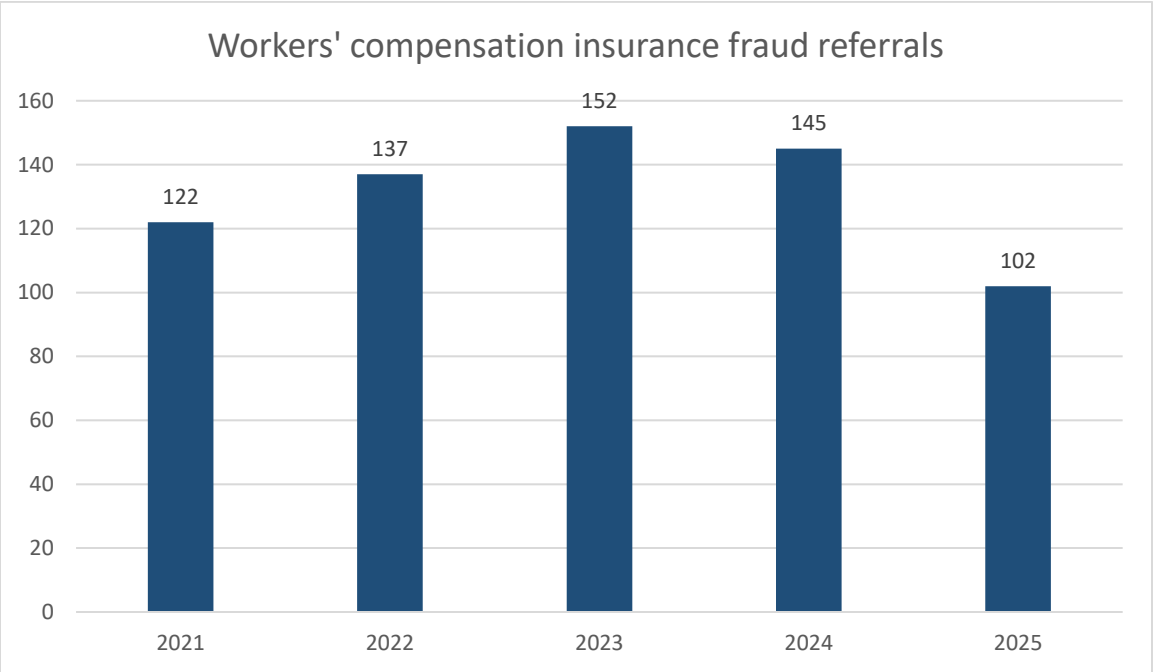


Workers' compensation insurance fraud

Workers' compensation insurance fraud may be attempted in many ways. For example:

- An employer misclassifying an employee to avoid having to pay workers' compensation insurance premium
- An employee faking a job injury or illness and using workers' compensation benefits to receive a payment for medical costs
- A health care provider, clinic, or hospital billing for a service that was not performed
- Fraudulent certificates of insurance

The following chart depicts the changes in the number of referrals received for workers' compensation fraud during the previous five years.



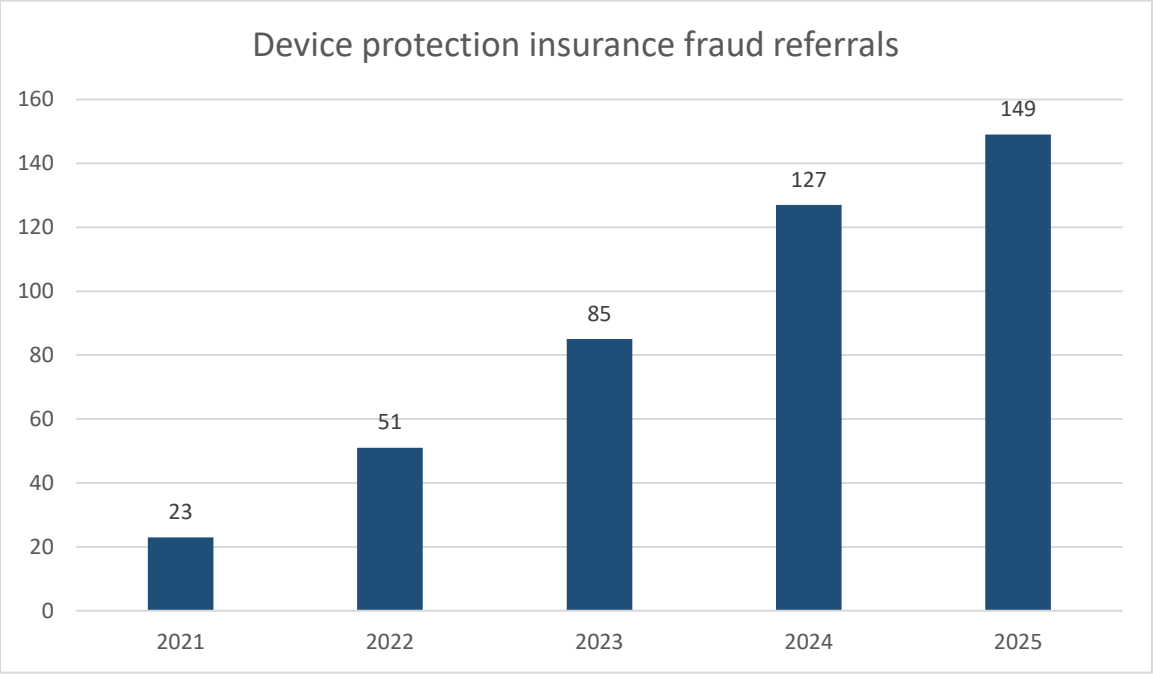
Device protection fraud

Device protection fraud is accomplished in several ways. For example:

- Staged or fabricated damage claims: Falsely reporting physical damage, water exposure or screen malfunctions that never occurred
- Multiple claims for the same incident: Attempting to file more than one claim for a single damage event or submitting similar claims across multiple devices
- False theft or loss reports: Claiming a phone was stolen or lost when it was not, sometimes coupled with providing misleading police reports
- Exploitation of plan loopholes: Taking advantage of unclear terms or documentation requirements to maximize claim benefits beyond legitimate coverage

Device protection fraud continued its upward trend in 2025 after first appearing in the top five in 2024. It has been a separate category since 2021.

The following chart depicts the changes in the number of referrals for device protection fraud received during the previous five years.

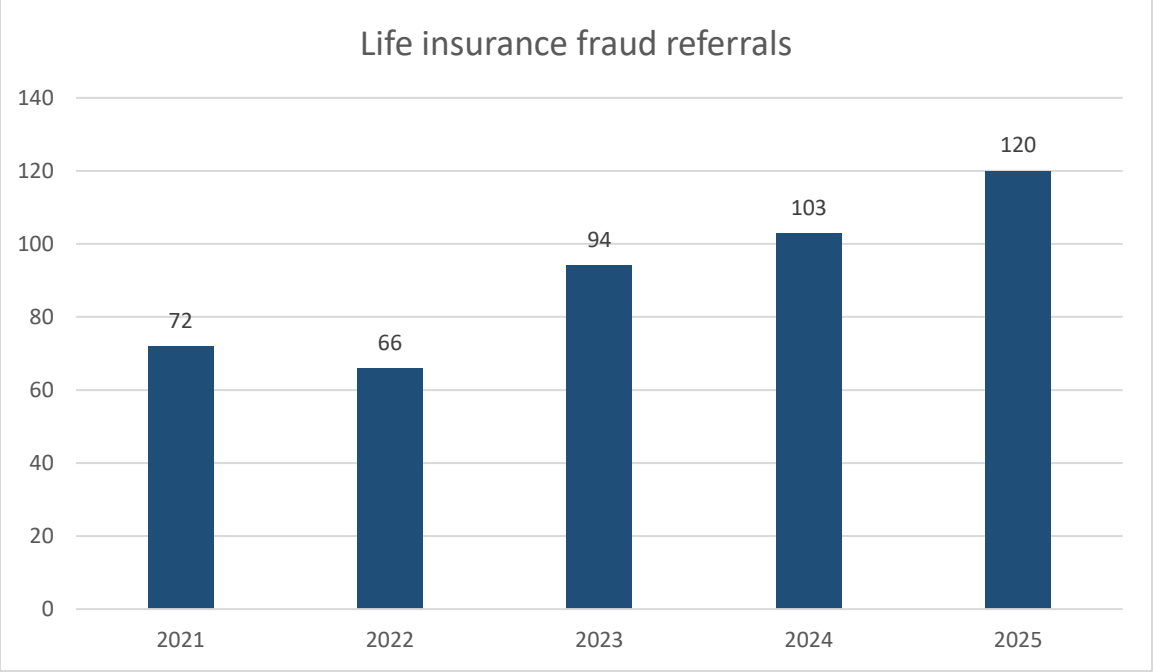


Life insurance fraud

Life insurance fraud may be attempted in many ways. For example:

- Misrepresentation: Lying or omitting information on an application, such as misrepresenting your health history or identity
- Forgery: Forging changes to a policy without the policyholder's consent, such as an insurance agent forging a signature
- Faked deaths: Staging a death, either your own or a loved one's, to collect on the policy
- Third-party account takeover: Pretending to be the policyholder to change beneficiaries or ownership
- Romance scams and confidence schemes: Policy holders are scammed into withdrawing the policy's cash value by people posing as romantic partners or friends with investment opportunities

The following chart depicts the changes in the number of referrals for commercial insurance fraud received during the previous five years.

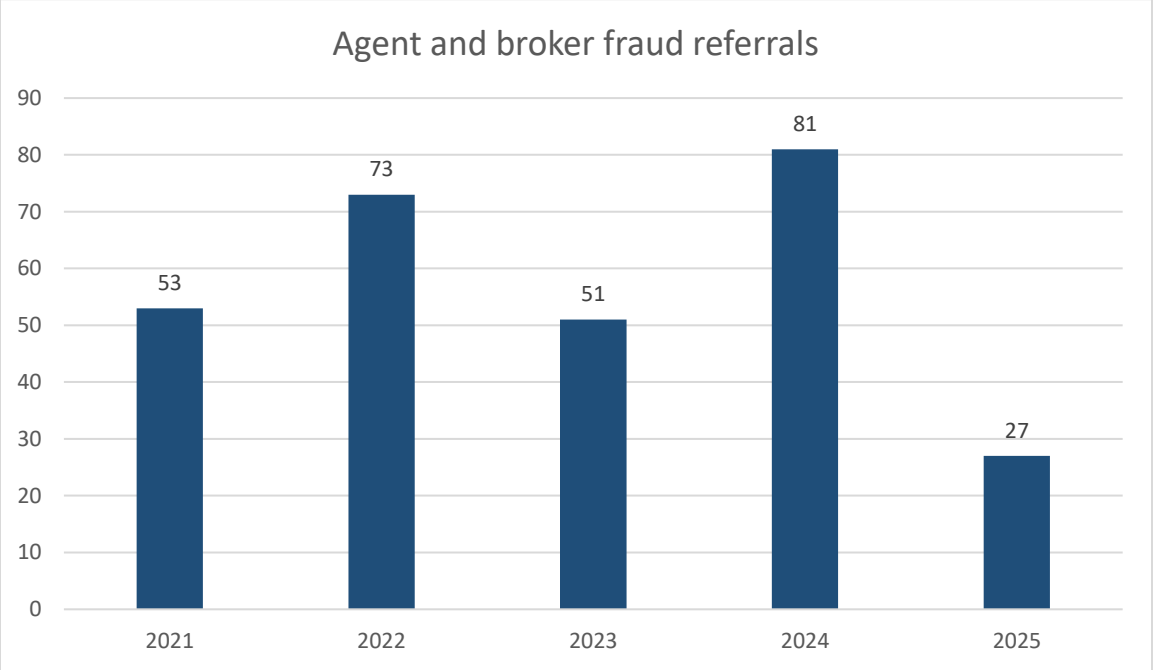


Agent and broker fraud

Historically, agent and broker fraud has been in the top five of referrals. While it is generally trending downward, it continues to merit inclusion in this report. Agent and broker insurance fraud may be attempted in several ways. For example:

- Failing to provide appropriate disclosures
- Misrepresenting a material fact about a property or structure
- Licensing violations
- Mortgage fraud
- Misrepresenting a buyer's credit report, salary, or employment history to qualify for a home loan
- Criminal conduct by an agent or broker

The following chart depicts the changes in the number of referrals for agent and broker fraud received during the previous five years.

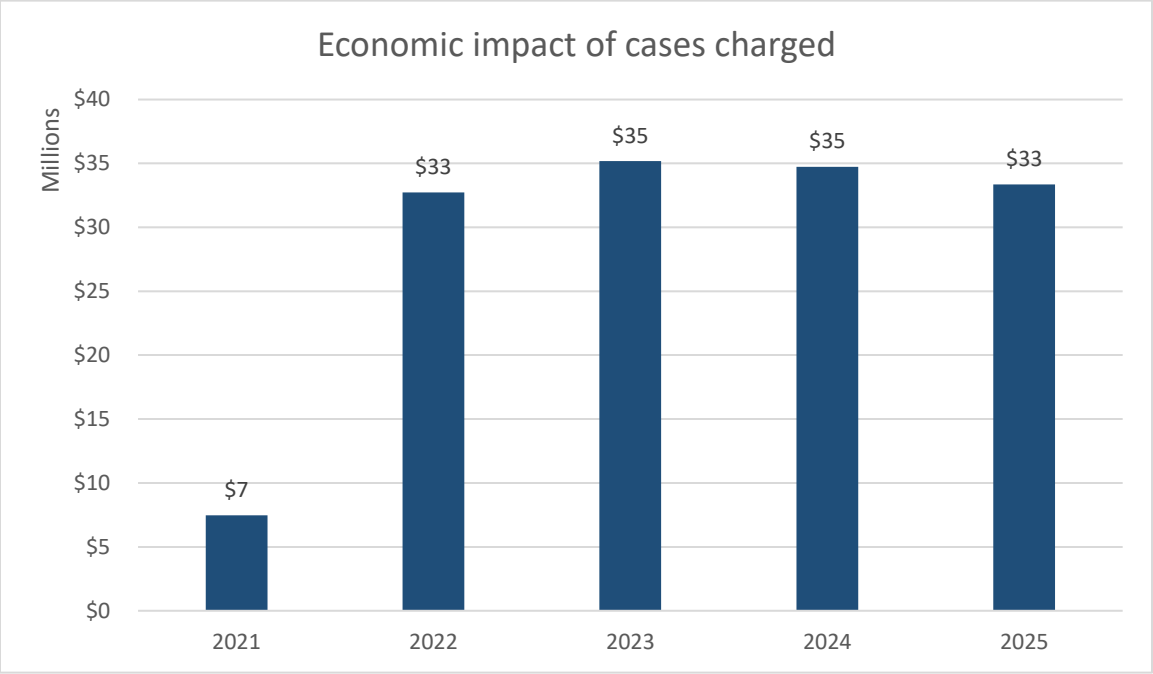


Economic impact

In 2025, FCFS investigations resulted in the filing of criminal charges with an economic impact of $33,364,581.

This data is associated with the year a charging decision is reached on a case rather than the year that the criminal activity referral was received. Charging decisions do not always happen during the same year that incidents occurred or investigations were initiated.

The economic impact amount represents the actual cash loss that occurred because of criminal activity. Oftentimes in multi-year investigations, the amount is less than what was stolen due to the statute of limitation issues.



Major case highlights

In February 2025, a Minneapolis man pleaded guilty to money laundering, felon in possession of a firearm and federal wire fraud charges. As part of his scheme, he submitted over 40 fraudulent grant, loan and contract applications involving two nonprofit organizations he founded resulting in a loss of over $6 million. Fraudulent applications were submitted to the U.S. Department of Justice, Hennepin County, the City of Minneapolis, the Center for Disease Control Foundation, the Department of Education, the Minnesota Department of Human Services, the Minnesota State Arts Board, the Otto Bremer Trust, the Greater Twin Cities United Way and many other organizations. He pleaded guilty in U.S. District Court and agreed to pay restitution of at least $3,479,575 to the victims of his offenses.

On June 3, 2025, a defendant was charged with one count of identity theft, theft by swindle and insurance fraud. The defendant, who was not a licensed insurance broker, sold 127 Progressive car insurance policies over Facebook and accepted payment over CashApp and Venmo. The policies had a combined value of $155,282.34. The fraud occurred between 2020 and 2024.

In December 2025, a defendant was charged in Cook County District Court with multiple felonies related to the February 2024 fire that destroyed the historic Lutsen Resort Lodge. The criminal complaint includes three counts of first-degree arson, including arson of a dwelling and arson with knowledge or reasonable possibility that a person was present, as well as a felony insurance fraud charge for submitting a false claim following the fire. The complaint establishes probable cause that the defendant intentionally destroyed the structure. This case was investigated collaboratively with the State Fire Marshal's Office, the Cook County Sheriff's Office, and the Bureau of Alcohol, Tobacco, Firearms, and Explosives.

State agency fraud reporting

Beginning in 2026, state agencies were required under Minnesota statute 299C.061, subdivision 7, to report to the BCA incidents of suspected fraud involving state-funded or administered programs or services with losses of $10,000 or more that occurred during the previous calendar year. The BCA is required to summarize that data for this report.

Minnesota Statute 299C.061, subdivision 5, gives agencies discretion regarding making investigative referrals to the BCA for incidents under $100,000. Therefore, the number of incidents reported by state agencies pursuant to subdivision 7 does not equal the number of cases referred to the FCFS for review under subdivisions 4 and 5.

- Agencies reporting incidents of suspected fraud involving state-funded or administered programs or services with losses of $10,000 or more in 2025: 10 (summarized in the table below).
- Total incidents reported: 652.
- Suspected or known total loss:
    - For 26 of the incidents the loss totaled $4,226,277.
    - For 626 of the incidents the amount was not reported or labeled as Unknown.

- Agencies took administrative action in 645 of the incidents and remedial action in 649 of the cases. Remedial action included actions such as suspension of payments, termination or withdrawal from programs, and withholding of payments.

The statute does not require agencies to affirmatively report that no fraud was detected. Therefore, reports were not expected from all agencies. The Departments of Health, Revenue, Veterans Affairs and the Housing Finance Agency all affirmatively reported that no fraud was suspected or detected in programs they manage.

Agency	Program area	Number of incidents	Suspected fraud amount	Administrative actions	Monetary recovery	Remedial actions
Administration	Arts and Cultural Heritage	1	$12,000	1	0	1
Agriculture	Down Payment Assistance Grant	1	$15,000	1	0	1
Children, Youth and Families	Child Care Assistance Program	5	$493,864	5	0	5
	Great Start	3	$144,961	3	0	3
Commerce	Real Estate Research and Recovery Fund	1	$65,440	1	0	1
Corrections	Agency Payroll	1	$49,610	1	0	1
	Community Services and Reporting	1	Not reported	0	0	0
Education	Nutrition Program Services	1	$11,391	1	1	1
Employment and Economic Development	Adult Legislative Direct Appropriation	1	$23,188	0	1	1
	Business & Community Development Promise Act Grant	1	$25,000	0	1	1
	Employer Reasonable Accommodation Fund	1	$30,000	0	1	1
Employment and Economic	Vocational Rehabilitation Services	1	$21,279	0	0	0

Agency	Program area	Number of incidents	Suspected fraud amount	Administrative actions	Monetary recovery	Remedial actions
Development (continued)	Workforce Development Fund	1	$214,074	1	0	1
Human Services	Social Worker – Licensed	1	Unknown	1	0	1
	Home and Community Service Provider	306	Unknown	306	0	306
	Physician	13	Unknown	13	0	13
	Case Manager (Waiver)	5	Unknown	5	0	5
	Marriage and Family Therapist	1	Unknown	1	0	1
	Health Care Coordinator	1	Unknown	1	0	1
	Consolidated Provider Organization	31	Unknown	31	0	31
	Bill Entity for Mental Health	32	Unknown	32	0	32
	Personal Care Provider	137	Unknown	137	0	137
	Targeted Case Management	2	Unknown	2	0	2
	Bill Entity for Physician Services	1	Unknown	1	0	1
	Home Health Agency	4	Unknown	4	0	4
	Chemical Health	10	Unknown	10	0	10
	Private Duty Nurse	13	Unknown	13	0	13
	Nurse Practitioner	5	Unknown	5	0	5
	Medical Supplier	2	Unknown	2	0	2
	Other non-traditional	1	Unknown	1	0	1

Agency	Program area	Number of incidents	Suspected fraud amount	Administrative actions	Monetary recovery	Remedial actions
	Laboratory; Independent	4	Unknown	4	0	4
	Medical Transportation Provider	13	Unknown	13	0	13
	Individual	4	Unknown	4	0	4
	Birth Center	1	Unknown	1	0	1
	Transportation Drivers	4	Unknown	4	0	4
	Early Intensive Development/Behavioral Intervention	22	Unknown	22	0	22
	Home and Community Service Provider	1	Unknown	1	0	1
	Home and Community Service Provider – HSS	4	Unknown	4	0	4
Human Services (continued)	Medical Transportation Provider	1	Unknown	1	0	1
	Recovery Community Organization	2	Unknown	2	0	2
	Intensive Residential Treatment Services	2	Unknown	1	0	2
	Adult Mental Health	1	$2,483,958	1	0	1
	Live Well at Home Housing Grant	1	$34,000	0	0	1
	Free Standing Room and Board	1	$215,636	1	1	1
	CFSS Consultation Services Provider	1	Unknown	1	0	1
	Blank	1	Unknown	1	0	1

Agency	Program area	Number of incidents	Suspected fraud amount	Administrative actions	Monetary recovery	Remedial actions
Natural Resources	Stolen fixed asset > $10,000	2	$41,647	2	1	2
	Unlawful Use of Public Money	1	$19,200	1	0	0
MNSure	Health Insurance	2	$326,029	2	0	2
Totals		**652**	**$4,226,277**	**645**	**6**	**649**