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NINA MOINI: A new *Minnesota Star Tribune* report is taking a closer look at how the Walz administration responded to fraud allegations across state government, and why it took years for the administration to recognize a broader, interconnected problem. The in-depth report is based on interviews with people who worked in and around the administration, as well as testimony from a congressional investigation.

Ryan Faircloth led the reporting for this piece. He's on the line to tell us about it. Thanks for being with us and sharing your reporting with us, Ryan.

RYAN Yeah, thanks for having me, Nina.

FAIRCLOTH:

NINA MOINI: We've heard a lot of stories about individual cases of fraud or individuals who are alleged to be committing fraud that journalists like yourself have uncovered. But you're reporting looks at a number of different fraud cases and state programs and tries to get into more of how this happened or how this is allowed to have happened, which is a question on the minds of many Minnesotans. And so what did you find was the common thread in how the Walz administration responded to some of the warning signs of fraud in those different programs? Where did you see the holes?

RYAN Yeah, it really seems like there were these warning signs that, I think, many of us, even just viewers, listeners, **FAIRCLOTH:** journalists, we were all kind of seeing over the years emerging across state government in one program and another program. And they weren't really, from what I could tell, within Walz's office and the administration, the dots weren't being connected between those warning signs.

The state saw many of the people who were charged and the Feeding Our Future fraud scheme, that's the pandemic-era scheme to steal money from a federally funded meals program for children, they saw many of the people who were charged in that pop up as providers in other programs. They saw spending in certain Medicaid programs like autism, housing stabilization, skyrocket. But, the administration seemed to be largely managing the fraud in one program at a time, rather than aggressively trying to investigate whether these things were connected.

And Walz himself appeared to be fairly removed from the details because he kind of-- his management style was to delegate to his commissioners and senior staff. And that itself isn't unusual for a governor overseeing a massive state enterprise, to a point. But then, there were years of bad headlines about fraud happening.

And it wasn't just Walz, either. His chief of staff, Chris Schmitter, also appeared to delegate to some of the commissioners below him in a similar fashion. And the commissioner of the Department of Human Services, where much of this fraud happened, Jodi Harpstead, she told Congress that she wouldn't always elevate every fraud concern to the governor's office. So it seems like, as a result of how information was flowing and wasn't flowing within the chain of command, Walz's office seemed to have a limited visibility into what was going on.

NINA MOINI: And remind us, Ryan, how you got this look into what was going on behind the curtain allegedly here with the administration. I understand you talked talk to some people around, but they didn't want to be publicly identified. Tell me about that reporting process, and then if the governor had a response.

RYAN FAIRCLOTH: Yeah, yeah. So my reporting process kind of started out in early summer, in June. I had set out-- I wanted to see if I could provide a more detailed accounting of what really happened, and why this fraud happened, and what happened operationally within the administration. And so I started talking to people, who've worked with the administration, I've talked to federal law enforcement, I talked to a few people who worked in the governor's office as well, to get more of a sense of this. And, of course, those people, they didn't all want to be on the record, but their context and the background they could provide was very helpful.

And then in June as well, something I wasn't expecting, the House Oversight Committee, which had done an investigation into the state's handling of fraud, a Republican-led investigation, they also released, as part of their investigation, transcripts of very lengthy interviews they had with nine current and former administration officials, including the DHS commissioner Jodi Harpstead, including Walz's Chief of Staff, Chris Schmitter. And that testimony was really insightful.

There is stuff in there. There are issues with the testimony in certain spots. The officials are trying not to perjure themselves there. They want to make sure that they aren't saying things that would get them in trouble. So there's legal stickiness in parts of the testimony. But then there was this through line that emerged of reflections about how they viewed fraud, what they thought about it, what they knew about it at the time, and how information flowed within the administration that was very insightful and seemed to explain some of the gaps that happened in the fraud response.

And yeah, as far as the governor's response, you asked about that, as well. I had reached out to them for an interview in late August. They declined. I sent them a list of a few dozen very detailed questions in late August, and gave them two weeks to respond, and they didn't answer those questions. They essentially just sent me a written statement, where basically, they were saying that their biggest mistake was that they-- well, first off, that the agencies were too trusting, and then that they should have replaced agency leadership sooner.

And I believe they are alluding to the DHS there, the DHS commissioner, because Jodi Harpstead ended up stepping down in early 2025. They appointed a new commissioner, Shireen Gandhi. And then the fraud response kind of scaled up, and they were actively meeting with her and stressing the importance of tackling fraud.

NINA MOINI: Yeah, and the political consequences of this fraud has been a really big deal for a lot of people, including Governor Walz. We know, of course, he dropped his bid for reelection, and it's become a major talking point for candidates across the spectrum, candidates both who are trying to replace him and in other races. And I just wonder, with that in mind, can you give an idea of where people are talking within different government agencies?

I mean, for example, here, just one example wrote that for autism programs, payments to providers went from about \$6 million to \$341 million over the course of six years. And that's another one of those things that people think, I wonder what it takes to set off alarm bells? I wonder if there are staffing challenges, or could you give a summary of just where fraud investigations stand now? Are they beginning to be handled in a different way?

RYAN FAIRCLOTH: Yeah, it's kind of hard to discern that. I mean, you talked about the autism program's growth, and I do think that that's something that's kind of interesting to get into just because in the testimony, there were some reflections from Harpstead and others about that, where it kind of showed their thinking at the time. And the program, as you mentioned, had grown exponentially. It grew from \$6 million in 2018 to \$341 million in 2024. That's a 55-fold increase.

But Harpstead, when she was asked about the growth, she said that it was just one possible indicator of fraud. You have to have more than that to put out a full-on investigation. And then she kind of had this quote that didn't make it into my story, where she talks about how her thinking was that, well, since the public health diagnosis criteria of autism changed 25 years ago, there's been something like a 4,000% increase in autism cases in the US. And she said, so maybe that growth does make sense.

But the thing is, that 4,000%, that 40-fold increase over 25 years doesn't explain necessarily, a 55-fold increase from 2018 to 2024. So it's like they had this thinking about it, that almost made sense in a way, but then if you scrutinize it a little bit more, it doesn't quite totally make sense.

NINA MOINI: Well, the governor's office has said, we can always-- hindsight is 20/20, and Minnesota is being targeted on a level that other states, who may have the same or more amounts of fraud, are not being targeted. But it's also important for everyone to always remember that when this fraud occurs, it's not only taking away from taxpayers. It's taking away from people who needed those services. And that's why it continues to be so upsetting for people.

And just lastly, you talked about them saying agencies were too trusting, which is kind of a hard thing to quantify or really understand. But you also reported that some state employees were worried about being accused of racism if they took stronger action against, perhaps, Feeding Our Future. How significant of a concern was that in shaping the state's response?

RYAN FAIRCLOTH: Yeah, it's hard to tell. I mean, we had reporting earlier this year, where some state employees, we had gotten documents from interviews with current and former state employees, with federal law enforcement who said that they felt that racism was a concern, and that the Department of Education, for example, feared accusations of racism from Feeding Our Future.

But then, in the testimony to Congress, the assistant commissioner of the Department of Education kind of talked about this, and said, yeah, nobody likes being called racist or Islamophobic. It made us uncomfortable. It didn't change our course of action, though. We knew that this was part of a strategy from Feeding Our Future, was to use allegations of racism to make the state uncomfortable. So, it's definitely a dynamic that was playing out, but it's hard to tell, from what I reported, what's been reported to date, how much that really influenced the state's response.

NINA MOINI: Well, thank you for looking into the inner workings of how all of this happened. It's a really important question to continue to examine, and I know your reporting is already leading some other candidates, candidates for governor on both sides of the aisle, to call for some changes. So thank you for updating us, Ryan. We appreciate your time.

RYAN FAIRCLOTH: Yeah, thank you, Nina. Thanks for having me.

NINA MOINI: That was Ryan Faircloth, a politics and government reporter for the *Minnesota Star Tribune*.