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The Future of Fraud

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Federal Program Fraud in Minnesota

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Lessons Learned for Single Audit Act Improvement and Fraud Risk Management in Federal Programs

By David L. Cotton

The State of Minnesota has been at the center of a series of fraud scandals and allegations involving federal programs during the 2020s, with estimated fraud totals running between hundreds of millions to upward of a billion dollars.[1] One funding recipient in particular, Feeding Our Future (FOF), has proven responsible for at least $250 million in fraud.[2] It's yet another example of schemes siphoning public funds that have befallen states in recent years. Just in June 2026, the U.S. Department of Justice (DOJ) secured trial convictions involving healthcare fraud totaling $1 billion in Florida, $60 million in New York and $45 million in California.[3]

The FOF case is an illustrative example, allowing for an examination of how that fraud was perpetrated; why it went undetected by federal, state and Single Audit Act auditors; and what procedures could have uncovered the fraud quickly. It's also a demonstration of why the Single Audit process should be reformed and an opportunity to introduce how fraud risk management over federal programs can be strengthened to prevent, or at least reduce, these types of fraud in the future.

Collectively, state and local governments, nonprofits and academic institutions spend about $800 million to $1 billion each year on Single Audit Act audits.[4] If these audits are missing billions of dollars of fraud in federal programs, it is difficult to argue that the cost of these audits — as currently being done — is money well spent.

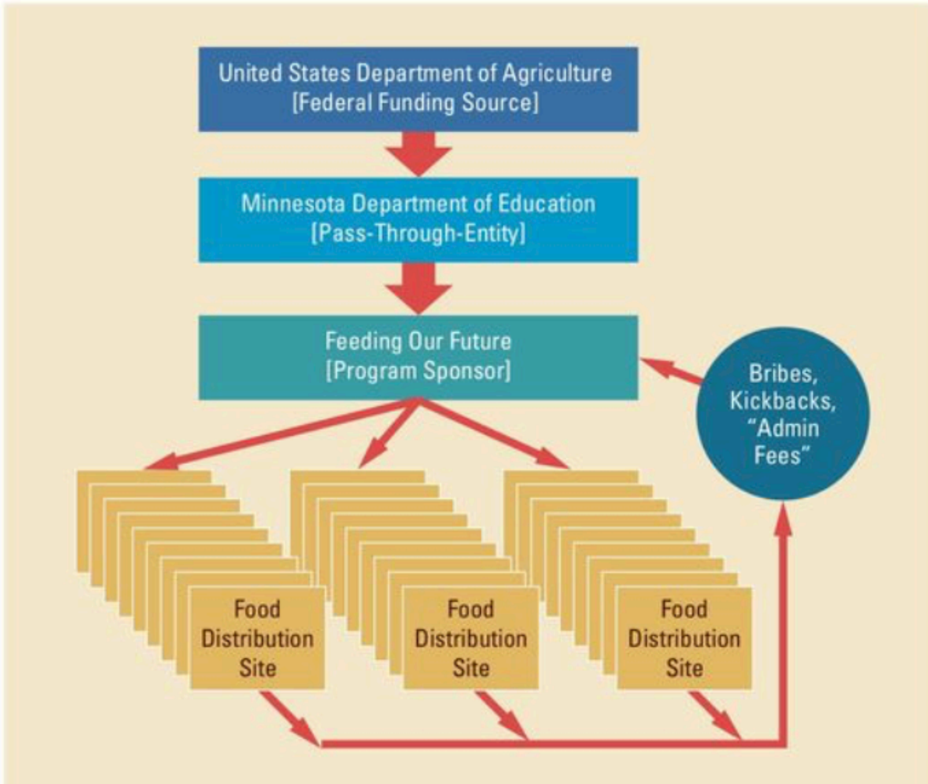
The Defrauded Programs and How the Fraud Was Perpetrated

Two U.S. Department of Agriculture (USDA) programs are at the heart of the FOF fraud. The Child and Adult Care Food Program (CACFP) reimburses childcare centers, family day care homes and adult daycare centers for providing nutritious meals and snacks to eligible children and adults in these care settings. Under CACFP, participating providers receive federal reimbursement (administered by states) for meals and snacks served that meet program standards, with rates varying by participant eligibility (e.g., free, reduced-price or paid) and meal type.[5]

The Summer Food Service Program (SFSP) is a federally funded program that provides free meals and snacks to children in low-income areas during periods when school is not in session. Under SFSP, approved sponsors are reimbursed by states (with federal funds) for each eligible meal served to children at established rates, based on submitted meal counts and subject to program requirements.[6]

The FOF fraud itself was uncomplicated. The two ringleaders were Aimee Bock and Salim Said. According to the DOJ, "*[FOF] employees recruited individuals and entities to open Federal Child Nutrition Program sites throughout the state of Minnesota. These sites, created and operated by Bock, Said and others, fraudulently claimed to be serving meals to thousands of children a day within just days or weeks of being formed. Bock and Said created and submitted false documentation, including fraudulent meal counts consisting of fake attendance rosters purporting to list the names and ages of the children receiving meals at the sites each day. [FOF] submitted these fraudulent claims to the Minnesota Department of Education (MDE) and then disbursed the fraudulently obtained Federal Child Nutrition Program funds to their co-conspirators involved in the scheme. To accomplish their scheme, Bock and Said created dozens of shell companies to enroll in the program as food program sites, and to receive and launder the proceeds of their fraudulent scheme. In exchange for sponsoring these sites' fraudulent participation in the program, [FOF] received more than $18 million in administrative fees to which it was not entitled. In addition to the administrative fees, [FOF] employees solicited and received bribes and kickbacks from individuals and companies sponsored by [FOF]. Many of these kickbacks were paid in cash or disguised as "consulting fees" paid to shell companies created by [FOF] employees to make them appear legitimate.*"[7] This scheme is visualized in **Figure 1**.

Figure 1. How the Funds Flowed



With these funds, the perpetrators purchased luxury vehicles; property in Minnesota, Ohio, Kentucky, Kenya and Turkey; and traveled internationally.[8] As of April 2026, prosecutors had obtained 65 convictions related to the FOF fraud.[9] In May 2026, Bock was sentenced to 500 months in prison.[10]

Where Were the Auditors?

This is one of the first questions that almost always follows the discovery of a major fraud. The public assumes auditors are looking for fraud and expects them to find it. An auditor's responsibility is to "obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error."[11] Reasonable assurance is not absolute assurance. Auditors do not have law enforcement powers, cannot subpoena records nor can they compel people to testify under penalties of perjury. Hence, "there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with [generally accepted auditing standards]."[12]

The Single Audit Act of 1984, later amended in 1996, "is intended to promote sound financial management, including effective internal controls over federal grant funds administered by state and local governments and nonprofit organizations."[13] The dollar threshold for being required to have a Single Audit when FOF was expending federal funds was $750,000 per year. FOF's spending far exceeded that threshold and FOF did, in fact, retain a CPA firm to perform a Single Audit. Unfortunately, Charles Amevo, the CPA who was engaged to do that audit, "admitted that [his firm] essentially rubber-stamped FOF's financial statements and only reported the financial statements and balance sheets that FOF gave him."[14] While the firm's permit and Amevo's CPA license were initially revoked, Amevo's license was reinstated on October 20, 2025.[15,16]

The immediate lesson here is that federal funds recipients — who might be committing fraud — shouldn't be allowed to select their own Single Audit auditor. It would be wiser to have either the federal funding agency, or the primary funds recipient at least approve, if not directly appoint, the auditor.

However, we must consider whether a *proper* Single Audit would have detected the FOF fraud. The key variables in determining payments under programs such as CACFP and SFSP are meal counts, attendance and eligibility records. It is essentially impossible for an auditor, conducting an audit months after services were supposedly provided to verify meal counts and attendance records unless very extensive and expensive forensic procedures are employed. Even then, eligibility records can also be fabricated.

All auditors are typically expected to do is test the documentation provided by an auditee. Audit standards expressly recognize this limitation:

As stated, a risk exists that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed ... particularly when the fraud involves manipulation, falsification or alteration of accounting records or supporting documentation.[17]

Figure 2. Relevant Compliance Supplement Testing Requirements for CACFP and SFSP

COMPLIANCE AREA	CACFP	SFSP
Activities Allowed or Unallowed	✔	✔
Allowable Costs/Cost Principles	✔	✔
Cash Management	✔	✔
Eligibility	✔	✔
Procurement Suspension & Debarment	✔	✔
Subrecipient Monitoring	✔	
Income		✔
Special Tests and Provisions	✔	✔

The Office of Management and Budget (OMB) Compliance Supplement defines what an auditor is required to test under specific federal programs. The relevant Compliance Supplements during the last FOF audits defined the testing requirements for CACFP and SFSP, as shown in **Figure 2**.[18]

Except perhaps with respect to eligibility testing and subrecipient monitoring, none of these tests actually focus on the key question, "Were the required services actually provided?" Even then, testing eligibility records cannot answer that question with certainty if supporting documentation is fabricated.

As for subrecipient monitoring, the testing of programs like CACFP and SFSP needed to answer this key question would have needed to have been done during performance of the programs. This is and must be the responsibility of the primary federal funds recipient, highlighting the importance of subrecipient monitoring. Thus, the second lesson from the FOF case is the importance of diligent subrecipient monitoring. In the FOF case, since the food distribution sites were considered contractor sites, FOF was not required [illegible] subrecipient monitori[illegible] any event, since FOF knew it was perpetrating fraud, even "contractor oversight" would have been meaningless. But the pass-through-entity, MDE, certainly had a responsibility to monitor FOF.

Among MDE's responsibilities under the federal grants were the following:[19]

- Evaluate FOF's fraud risk and risk of noncompliance to determine the appropriate subrecipient monitoring needed.
- Monitor FOF to ensure compliance with federal statutes, regulations, and the terms and conditions of the subaward, including:
  - Reviewing FOF financial and performance reports.
  - Ensuring that FOF takes corrective actions on any significant developments negatively affecting the subaward.
  - Issuing management decisions on and resolving any audit findings.
- If FOF was deemed high-risk, consider "monitoring tools" such as:
  - Providing training and technical assistance.
  - Performing site visits to review FOF's operations.

Of course, fraud risk mitigation actions for programs like CACFP and SFSP are not the same as those needed for other programs. But the concept is the same for every federal program — figure how and where the program is vulnerable to fraud and put fraud control activities in place to either prevent or early-detect any fraud.

- Arranging for agreed-upon-procedures (limited in scope to activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting).[20]

- Verify that FOF is audited.
- Consider whether results of FOF's audit or site visits warrant adjustments to FOF's records.
- Consider enforcement action.

Whether MDE carried out these responsibilities adequately is a matter of dispute. The Minnesota legislative auditor asserted that MDE "*failed to act on warning signs known to the department prior to the onset of the COVID-19 pandemic and prior to the start of the alleged fraud, did not effectively exercise its authority to hold [FOF] accountable to program requirements and was ill-prepared to respond to the issues it encountered with [FOF],*" … and "*MDE conducted virtual visits at some of [FOF]'s sites, but MDE paused this review because, according to an MDE official, the virtual site visits 'were not working.*'"[21]

In response to the legislative auditor, MDE's commissioner asserted that their oversight "met applicable standards" and that MDE "made effective referrals to law enforcement" in 2020. He added that "the responsibility for this flagrant fraud lies with the indicted and convicted fraudsters."[22]

If MDE's oversight met applicable standards, then those standards should be revised immediately.

What Procedures Would Have Revealed the FOF Fraud in a Timely Manner?

Setting aside Compliance Supplement details, subrecipient monitoring and audit standards limitations, let's return to the central question: "Are required services actually being provided?" Further, what procedures can be done to answer that question before too much federal money gets stolen? Here are a few to consider.

Unannounced Site Visits During Serving Hours to Verify Actual Attendance and Meals Served, Staffing and Supplies on Hand

Just a few of these visits would have quickly put a stop to the FOF fraud. In fact, it was this type of unannounced and recorded visit to several of these sites that brought national attention to the FOF fraud.[23] Let's assume that even programs actually serving meals to children might be inclined to "pad" their attendance and meal counts to collect some additional federal funds. A reasonable parameter for unannounced site visits would be that any visit that shows attendance and meal counts that are 15% or more below that site's historically reported numbers gets designated for further scrutiny.

Capacity Analysis

If a site is consistently claiming, say, 3,000 meals per day, it should have a facility large enough to serve that many meals. A site visit should reveal any anomalies in this regard. MDE did, in fact, raise such concerns when reviewing FOF's 2021 CACFP application. "MDE asked [FOF] to explain how a site had the capacity to serve 'a comparable number of meals' as 'the entire St. Paul Public School District provides'…. Even after [FOF] did not provide justification for these sites' significant growth …" MDE failed to follow up.[24]

Food Purchasing Reconciliations

A relatively easy test to perform would have been a verification that food purchased (supported by actual receipts) by an FOF site was consistent with the number of meals allegedly served. If food purchasing reconciliations had revealed any discrepancies, confirmations with vendors could have been performed.

The DOJ's investigation revealed that only about 3% of FOF grant money was spent on food purchases.[25]

Enrollment Verification

A comparison of a site's claimed number of meals served with school enrollment and attendance records would have revealed anomalous results.

Data Analytics

Numerous, different, easy and inexpensive analytical procedures would have revealed discrepancies: identical meal counts with no variations for weather or holidays; identical attendance lists; duplicate names across sites; and reported meal counts incongruent with Benford's law. Even small sample testing would have surfaced anomalies that would have revealed the FOF fraud.

Geospatial Analysis

Simply comparing the population of children in a site's geographic area versus claimed meals served would have revealed glaring anomalies. Even a statewide analysis should have sufficed.

Parent/Household Confirmations

Simply taking random samples from eligibility records and attendance rosters and sending confirmations to the parents/households would have revealed nonexistent beneficiaries and children who did not receive meals.

The FOF fraudsters spent their ill-gotten gains lavishly.[26] Several of these procedures would have revealed enough evidence of fraud to warrant an analysis, using public records, of any glaring lifestyle changes by key FOF personnel.

Admittedly, this level of due diligence is labor, time and resource intensive, and these are forensic procedures that go far beyond the scope of a Single Audit. However, where should the onus for safeguarding federal funds be: (a) on the auditor coming in months after program performance and with limited resources, or (b) on the recipients of the federal funds?

Emphasis should be placed on *the grantees themselves* to ensure that services are actually being performed. To do so, OMB should strengthen the subrecipient monitoring requirements and require applicants for federal funding to propose, in advance and in detail, how they intend to monitor subrecipients, including some or all of the aforementioned procedures. Failure to convince federal program officials that funds are protected should result in award denial. The Single Audit Act, Uniform Guidance and Compliance Supplement focuses can then be shifted from testing records that may have been fabricated to testing the grantee/primary recipient/pass-through-entity's compliance with its declared subrecipient monitoring procedures.

Finally, through OMB guidance, auditors must be empowered to withhold a clean opinion if their audit of a grantee's compliance with the required subrecipient monitoring procedures reveals those procedures to be ineffective or nonexistent. These changes would put accountability where it belongs: on the federal funds recipient.

Federal Program Fraud Risk Management

Expert guidance about managing fraud risk for government program managers is already readily available. Eleven years ago, the U.S. Government Accountability Office (GAO) published *A Framework for Managing Fraud Risks in Federal Programs*.[27] Its practices closely mirror federal legal requirements and are routinely used by GAO and inspectors general as the standard for evaluating agency fraud risk management.

Federal program managers are *required* to assess fraud risk in their programs and put anti-fraud controls in places to mitigate the fraud risks they identify.[28] Utilization of what the *Framework* prescribes would have allowed the involved agencies to identify the fraud risks in the FOF program, chief among them the risk that claimed services were not actually being provided. Fraud control procedures would have then been the logical, required response.

In light of the CACFP and SFSP fraud in Minnesota and elsewhere, the USDA has admitted that it did not assess fraud risk in these programs. In response to a GAO audit in 2019 (before the documented events in Minnesota), "USDA officials stated that they have not established a process to plan or conduct a specific fraud risk assessment for these programs."[29] And, USDA's Office of Inspector General concluded in 2020 that, "State agencies did not have the adequate monitoring procedures needed to detect sponsors over-claiming meals ...."[30]

Of course, fraud risk mitigation actions for programs like CACFP and SFSP are not the same as those needed for other programs. But the concept is the same for every federal program — figure how and where the program is vulnerable to fraud and put fraud control activities in place to either prevent or early-detect any fraud.

Recommendations Drawn From Lessons Learned

The large federal program fraud schemes in Minnesota and other states must be understood as crisis-level events. And as with any crisis, we must learn from a thorough post-mortem and use it to make significant changes; in these cases, to federal program management and the Single Audit process.

Instead of spending $1 billion per year on Single Audits that fail to find massive fraud, the U.S. government can:

- Redouble efforts to make sure federal managers are implementing GAO's *Framework for Managing Fraud Risk in Federal Programs*.
- Integrate results of the *Framework's* risk assessment and mitigation process into the Compliance Supplement by listing the identified fraud risks in every program and the corresponding fraud control activities that should be in place to mitigate these risks.
- Require grant applicants to explain how they intend to mitigate fraud risks at all levels of the program, from recipient, to subrecipient,

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to sponsor, to site-level contractors or other flow-down entities. Do not award any grant until an applicant's proposal is adequate.

- Make the subrecipient monitoring requirements in the Uniform Guidance and Compliance Supplement sufficiently robust that grantees understand that these are requirements, not suggestions or just guidelines.
- Refocus the Single Audit Act from time-consuming, post-facto tests of documentation to holding grantees accountable for their programs through detailed auditor examinations of the grantee's monitoring of subrecipients.
- Require auditors to obtain reasonable assurance that a grantee's required subrecipient monitoring processes and procedures are in place and working as designed. Empower auditors to withhold clean opinions if such assurance cannot be obtained.
- Require either federal agency or grantee pre-approval of Single Audit Act auditors at all program levels.

If we fail to learn lessons from the current fraud crisis and fail to take this opportunity to make drastic and positive changes, then this modern adage is appropriate to ponder: "If you always do what you've always done, you'll always get what you've always got."[31] Unfortunately, what we've "always got" is fraud in federal programs. ■

Endnotes

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