

minnesota child care investigation 2026-01-06

MINNESOTA CHILD CARE FACILITIES INVESTIGATION

Taxpayer-Funded Nonprofits, Board Cross-Pollination & Red Flag Analysis

Classification: OPEN SOURCE INTELLIGENCE REPORT **Date:** January 6, 2026 **Analyst:** OPUS - Project Milk Carton
Case ID: PMC-MN-CHILDCARE-2026-001

EXECUTIVE SUMMARY

Minnesota's child care sector is experiencing an **unprecedented crisis** involving hundreds of millions of dollars in suspected fraud across multiple taxpayer-funded programs. This investigation identifies key nonprofit organizations receiving public funds, maps board member networks, documents cross-pollination patterns, and provides a comprehensive red flag analysis with actionable solutions.

KEY FINDINGS AT A GLANCE

Metric	Value	Risk Level
Federal CCDF Funding (FY2024)	\$172,454,729	-
State CCAP Spending (FY2024)	\$283,939,391	-
Estimated Fraud Rate (OIG Finding)	11%	CRITICAL
Potential Improper Payments	\$231.4 million	CRITICAL
Active Fraud Investigations	62+	HIGH
Providers Payments Stopped (2021-2025)	79	MODERATE
Criminal Cases Referred (Annually)	5	LOW (Under-resourced)
Feeding Our Future Fraud Total	\$250+ million	CONFIRMED
Convictions in FoF Case	57+ of 78 indicted	ONGOING

PART 1: FUNDING LANDSCAPE

1.1 Child Care Assistance Program (CCAP)

Administering Agency: Minnesota Department of Children, Youth, and Families (DCYF) **Prior Agency:** Department of Human Services (DHS) - until July 1, 2024

Program Statistics (FY2024): - Families served monthly: ~12,000 - Children served monthly: ~23,000 - Average monthly

payment per family: \$1,710 - Total federal CCDF allocation: \$172,454,729 - Total state CCAP spending: \$283,939,391

Provider Types: - Licensed Family Child Care Providers - Licensed Child Care Centers - License Exempt Centers - Legally Non-Licensed Providers

Source: [Minnesota DCYF](#)

1.2 Head Start / Early Head Start

Federal Oversight: Office of Head Start, Administration for Children and Families (HHS) **Regional Office:** HHS Region Five (Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin)

Minnesota Head Start Programs: - 33 Federal Early Head Start and/or Head Start programs - 7 Tribal Head Start programs - 1 Migrant Head Start program

Recent Funding Opportunity: - Grant: HHS-2024-ACF-OHS-CH-R5-0122 (October 2023) - Amount: \$18,312,969 - Recipients: Up to 5 organizations

Source: [ACF.gov](#)

1.3 Community Action Agencies

Minnesota has **24 Community Action Agencies** and **10 Tribal governments** delivering early childhood services statewide.

Funding Sources: - Minnesota Community Action Grant (State) - Community Services Block Grant (Federal) - Head Start/Early Head Start (Federal) - Child Care Development Block Grant (Federal)

PART 2: KEY NONPROFIT ORGANIZATIONS

2.1 Minnesota Child Care Resource And Referral Network

Field	Data
EIN	41-1730422
Address	10 River Park Plaza, Suite 820, Saint Paul, MN 55107
Tax Status	501(c)(3), exempt since February 1993
Total Revenue (FY2024)	\$9,578,543
Total Expenses (FY2024)	\$9,246,252
Total Assets	\$8,449,489
Revenue Source	95.7% Contributions (Government Grants)

Executive Compensation (FY2024): - Ann McCully (Executive Director): \$126,354 - Calahena Merrick (Associate Director): \$115,740 - Nou Thao (Associate Director): \$105,000

Board Officers: - Marcia Schlattman (Chair) - Liz Kuoppala (Vice Chair) **[CROSS-POLLINATION IDENTIFIED]** - Brittany Clausell (Secretary) - Maria Steen (Treasurer)

Source: [ProPublica Nonprofit Explorer](#)

2.2 Minnesota Head Start Association Inc

Field	Data
EIN	36-3579547
Address	PO BOX 667, Sauk Rapids, MN 56379
Tax Status	501(c)(3), exempt since May 1989
Total Revenue (FY2024)	\$437,524
Total Expenses (FY2024)	\$457,555
Total Assets	\$377,688
Executive Compensation	\$186,635 (40.8% of expenses)

Key Leadership: - Kraig Gratke (Executive Director) **[DUAL ROLE - See MN CAP below]** - Mary Lockhart Findling (Chairman) **[CROSS-POLLINATION IDENTIFIED]** - Sandy Simar (1st Vice Chair) **[CROSS-POLLINATION IDENTIFIED]** - Michelle Wilkowsky (2nd Vice Chair) - Skip Ferris (Treasurer) - Becky Shogren (Secretary) **[CROSS-POLLINATION IDENTIFIED]**

Source: [ProPublica Nonprofit Explorer](#)

2.3 Minnesota Community Action Partnership

Field	Data
EIN	41-1407742
Address	100 Empire Dr Ste 202, Saint Paul, MN 55103
Tax Status	501(c)(4), exempt since October 1992
Total Revenue (FY2024)	\$1,229,528
Total Expenses (FY2024)	\$1,094,348
Total Assets	\$955,661

Key Leadership: - Lori Schultz (Executive Director): \$147,605 + \$20,114 other - **Kraig Gratke** (Ed Mn Head Start Assoc): \$114,941 + \$19,066 other **[DUAL COMPENSATION]** - Lori Schwartz (Board Chair) - Amanda Mackie (Vice Chair) - Teresa Carter (Treasurer) - Debi Brandt (Secretary) **[CROSS-POLLINATION IDENTIFIED]**

Board Members with Cross-Organization Ties: - Sandy Simar **[Also: MN Head Start Assoc Board]** - Mary Lockhart Findling **[Also: MN Head Start Assoc Chair, UCAP]** - Liz Kuoppala **[Also: MN Child Care Resource Network]** - Maureen Rosato **[Also: Kootasca]**

Source: [ProPublica Nonprofit Explorer](#)

2.4 Parents In Community Action (PICA)

Field	Data
EIN	41-0956226
Address	700 Humboldt Ave North, Minneapolis, MN 55411
Tax Status	501(c)(3), founded 1969
Total Revenue (FY2023)	\$38,609,291
Total Expenses (FY2023)	\$35,365,641
Total Assets	\$20,603,690
Employees	416

Executive Compensation (FY2023): - Jay Alexander (Executive Director/Head Start Director): \$200,070 - Su Melton (Finance Director): \$199,271 - Wanda Vorters (Director of Program Initiatives): \$140,091

Program Scale: - 13-14 Head Start centers in Hennepin County - 2,500+ children served annually - \$37.3M in grants/contributions

Board Members on MN Head Start Assoc: - Monshari Chandler (Director Affiliate) - Judy Baker (Staff Affiliate) - Rico Alexander (Additional Member)

Source: [CauseIQ](#)

2.5 United Community Action Partnership (UCAP)

Field	Data
EIN	41-0904860
Address	Marshall, Minnesota
Total Revenue (2022)	\$26,450,501
Employees	362
Volunteers	829
Board Size	27 members (Tripartite structure)

Executive Leadership: - Debi Brandt (Executive Director) **[Also: MN CAP Secretary]**

Board Structure: Tripartite (1/3 low-income consumers, 1/3 public officials, 1/3 private sector)

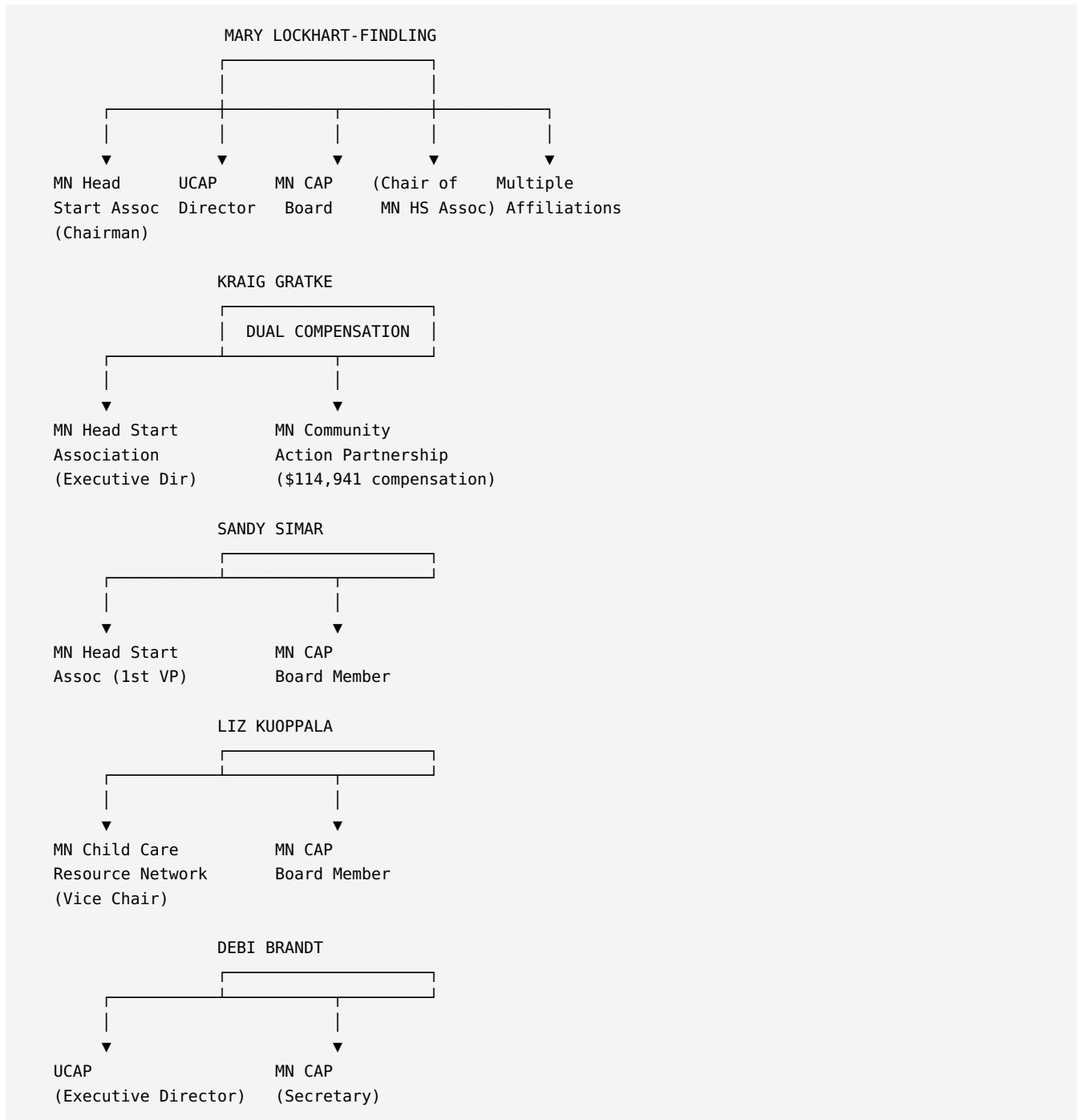
Counties Served: 9 counties in southwestern Minnesota

Cross-Pollination: - Mary Lockhart-Findling (Director on MN Head Start Assoc, also Chair) - Becky Shogren (Staff on MN Head Start Assoc, also Secretary) - Harlie Larson (Parent representative on MN Head Start Assoc)

Source: [UCAP Board](#)

PART 3: BOARD CROSS-POLLINATION ANALYSIS

3.1 Network Map - Key Individuals Serving Multiple Organizations



3.2 Cross-Pollination Summary Table

Individual	Org 1	Role 1	Org 2	Role 2	Org 3	Role 3
Mary Lockhart-Findling	MN Head	Chairman	UCAP	Director	MN CAP	Board

Primary Leadership Industry	Start Assoc	Chairman	UCAP	Director	MN CAP	Board
Kraig Gratke	MN Head Start Assoc	Exec Director	MN CAP	Paid Staff	-	-
Sandy Simar	MN Head Start Assoc	1st Vice Chair	MN CAP	Board	Families First	Board
Liz Kuoppala	MN Child Care R&R	Vice Chair	MN CAP	Board	-	-
Debi Brandt	UCAP	Exec Director	MN CAP	Secretary	-	-
Becky Shogren	MN Head Start Assoc	Secretary	UCAP	Staff Rep	-	-
Maureen Rosato	Kootasca	Unknown	MN CAP	Board	MN HS Assoc	Friend

3.3 Implications of Cross-Pollination

CONCERNS: 1. **Reduced Independent Oversight:** Same individuals approving grants, policies, and operations across multiple funding streams 2. **Conflict of Interest Risk:** Board members may prioritize organizations where they hold executive positions 3. **Echo Chamber Effect:** Limited diversity of perspective on governance decisions 4. **Accountability Gaps:** Who investigates whom when the same people oversee multiple entities?

NOTE: Cross-pollination is **not inherently fraudulent** - it's common in nonprofit sectors with limited talent pools. However, it creates **vulnerability** that requires **enhanced controls**.

PART 4: ACTIVE FRAUD INVESTIGATIONS & SCANDALS

4.1 Feeding Our Future - \$250 Million Fraud (CONFIRMED)

Status: PROSECUTED - 57+ convicted

Key Facts: - Founded 2016 as legitimate nonprofit - Claimed to serve 90 million meals in <2 years (120,000/day) - Only ~3% of funds actually spent on food - Created 250+ "meal sites" and dozens of shell companies - Received \$3.4M (2019) → \$200M (2021)

Mastermind: Aimee Bock (convicted March 2025) - 7 federal charges: wire fraud, bribery, conspiracy - Ordered to forfeit \$5.2 million

Political Connections: - Minneapolis Mayor Jacob Frey (aide Abdi Salah pled guilty) - State Senator Omar Fateh (supporter) - Council Member Jamal Osman (wife operated site receiving \$400K+)

Demographic Note: 82 of 92 indicted defendants were Somali American (per US Attorney's Office)

Sources: - [DOJ Press Release](#) - [FBI Coverage](#)

4.2 Child Care Assistance Program (CCAP) Fraud - ONGOING

Status: 62+ ACTIVE INVESTIGATIONS

Federal OIG Finding (May 2025): - 19% of sampled payments (38/200) had compliance violations - Estimated 11% of ALL payments had errors - Potential impact: \$231.4 million across 1,150+ providers

State Enforcement (2021-2025): - 79 providers had payments stopped - 5 criminal referrals per year (average) - \$2.4 million recovered by 4 investigators

Specific Problem Facilities:

Facility	Violations	Funding Received	Status
Quality Learning Center	95 (2019-2023)	\$7.8M	Conditional license removed 2024
Minnesota Child Care Center	36 (2021-2023)	\$2.67M (FY2025)	Under investigation
Future Leaders ELC	Unknown	\$3.68M (FY2025)	Under investigation
Minnesota Best Child Care	Unknown	\$3.4M (FY2025)	Under investigation

Federal Response (Dec 2025 - Jan 2026): - HHS froze all CCDF payments to Minnesota - FBI Director Kash Patel: "This is just the tip of a very large iceberg" - 245+ fraud tips received since Dec 30, 2025

Sources: - [HHS OIG Report](#) - [KSTP Investigation](#)

4.3 Related Fraud Schemes Under Investigation

Program	Estimated Fraud	Status
Feeding Our Future	\$250M+	Prosecuted
Medicaid (14 programs)	Unknown	Paused/Audited
Autism Therapy Services	Unknown	Under investigation
Housing Stabilization	Unknown	System shut down
Home Health Assistance	Unknown	Under investigation

Federal Prosecutor Statement: "Half or more" of the \$18 billion billed to 14 Minnesota DHS programs since 2018 may be fraudulent.

PART 5: RED FLAG ANALYSIS

5.1 CRITICAL RED FLAGS (Immediate Action Required)

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#	Red Flag	Evidence	Risk Level
1	Massive Payment-Before-Verification	Biden-era rule required payment before attendance confirmed	CRITICAL
2	11% Error Rate in OIG Audit	38/200 sampled payments had compliance failures	CRITICAL
3	Only 4 Fraud Investigators for \$300M+ program	Grossly understaffed for fraud detection	CRITICAL
4	95 Violations = \$7.8M in Payments	Quality Learning Center received funds despite massive violations	CRITICAL
5	No Real-Time Attendance Tracking	OIG recommendation still unimplemented	CRITICAL

5.2 HIGH RED FLAGS (Systemic Vulnerabilities)

#	Red Flag	Evidence	Risk Level
6	Dual Compensation Across Nonprofits	Kraig Gratke paid by both MN Head Start Assoc AND MN CAP	HIGH
7	Executive Director = Board Secretary (Different Orgs)	Debi Brandt: UCAP ED + MN CAP Secretary	HIGH
8	One Person Chairs Multiple Oversight Bodies	Mary Lockhart-Findling across 3+ organizations	HIGH
9	Background Check Failures Not Stopping Payments	MN Child Care Center: 6 unchecked staff in 2023, 8 in 2024	HIGH
10	Licensing Violations Disconnected from CCAP Eligibility	Violations alone don't affect payment eligibility	HIGH

5.3 MODERATE RED FLAGS (Governance Weaknesses)

#	Red Flag	Evidence	Risk Level
11	Tripartite Boards May Lack Financial Expertise	Consumer/public/private sectors may lack fraud detection skills	MODERATE
12	Small Nonprofit Networks = Limited Talent Pool	Same names appearing across organizations	MODERATE
13	Executive Compensation 40%+ of Expenses	MN Head Start Assoc: 40.8% to executives	MODERATE

14	Rapid Scaling Without Proportional Oversight	FoF: \$3.4M → \$200M in 2 years	MODERATE
15	Delayed License Revocations	Conditional licenses maintained despite ongoing violations	MODERATE

5.4 POLITICAL RED FLAGS

#	Red Flag	Evidence
16	Governor Dropped Reelection	Tim Walz withdrew January 5, 2026 amid scandal
17	State Officials Disputed Federal Findings	Initial state response dismissed fraud concerns
18	Political Staff Implicated	Mayor's aide pled guilty in FoF case
19	Council Member's Family Received Funds	Jamal Osman's wife operated \$400K+ site

PART 6: SOLUTIONS & RECOMMENDATIONS

6.1 IMMEDIATE ACTIONS (0-30 Days)

Priority	Action	Responsible Party
1	Implement Real-Time Attendance Verification	DCYF
2	Suspend Payments to Providers with 10+ Unresolved Violations	DCYF
3	Expand Fraud Investigation Team (4 → 20+ investigators)	DCYF/Legislature
4	Require Photo/Video Documentation	Already mandated by HHS
5	Cross-Reference CCAP Billing with License Status Daily	DCYF IT

6.2 SHORT-TERM REFORMS (30-90 Days)

Priority	Action	Responsible Party
6	Mandate Board Conflict Disclosure for All Funded	Attorney General

	Nonprofits	
7	Prohibit Dual Compensation from State-Funded Entities	Legislature
8	Create Public Dashboard of Provider Violations + Payments	DCYF
9	Require Independent Audits for Providers >\$500K Annually	DCYF
10	Implement Whistleblower Rewards (% of Recovery)	Legislature

6.3 LONG-TERM STRUCTURAL REFORMS (90+ Days)

Priority	Action	Responsible Party
11	Consolidate Child Care Oversight (Single agency, single database)	Governor/Legislature
12	Board Term Limits (Max 6 years cumulative across funded nonprofits)	Legislature
13	Rotate Auditors (No provider uses same auditor >3 years)	DCYF
14	Federal/State Data Sharing Agreement	DCYF + HHS
15	Automatic License Suspension at Violation Threshold	Legislature

6.4 BOARD GOVERNANCE RECOMMENDATIONS

For Individual Nonprofits: 1. Disclose ALL other nonprofit affiliations on Form 990 Schedule O 2. Recuse from votes on grants/contracts involving affiliated organizations 3. Annual conflict of interest attestation with penalty for false statements

4. Independent audit committee (no members with executive roles elsewhere) 5. Whistleblower policy with external reporting mechanism

For State Oversight: 1. Public registry of nonprofit board members across child care sector 2. Automated alerts when same individual serves on 3+ funded boards 3. Required reporting of all compensation from state-funded sources 4. Annual governance training for boards receiving >\$1M in state funds

PART 7: DATA SOURCES & METHODOLOGY

7.1 Primary Sources

Source	Data Type	URL
ProPublica Nonprofit Explorer	IRS 990 Filings	projects.propublica.org/nonprofits
HHS TAGGS	Federal Grant Awards	taggs.hhs.gov
MN DHS Licensing Lookup	Provider Licenses/Violations	licensinglookup.dhs.state.mn.us
HHS OIG Reports	Audit Findings	oig.hhs.gov
DOJ Press Releases	Criminal Cases	justice.gov/usao-mn
Minnesota Legislative Auditor	State Audits	auditor.leg.state.mn.us

7.2 News Sources (Cited)

- Fox News - Minnesota fraud coverage
- CNN - Child care investigation
- CBS Minnesota - Local investigations
- MPR News - Feeding Our Future trial
- KSTP-TV - CCAP investigations
- Newsweek - Violation analysis

7.3 Limitations

1. Not all 990 filings fully digitized for board member extraction
2. Some nonprofits file 990-EZ or 990-N without detailed compensation
3. Real-time violation data requires direct database access
4. Some investigations ongoing - facts may change

APPENDIX A: COMPLETE BOARD MEMBER LIST

Minnesota Head Start Association Board (Current)

Directors: - Penny Paul (TCC) - Sandy Simar (Families First) - Michelle Wilkowski (Mahube Otwa) - Mary Lockhart-Findling (UCAP) - *Chair* - Lee Turney (Leech Lake Band of Ojibwe) - Monshari Chandler (PICA)

Staff: - Edna Tudon (Tri Valley Opportunity Council) - *2nd Vice Chair* - Vicki Dunlop (CAPRW) - *1st Vice Chair* - Jillayne

Schuder (Families First) - Judy Baker (PICA) - Becky Shogren (UCAP) - *Secretary* - Deb Wege (Scott Carver Dakota CAP)

Parents: - Nicolette Housey (NWCA) - Harlie Larson (UCAP) - Danielle Lemond (Tri-County CAA) - Acacia Ward (Families First/AEOA) - Cassie Adams (AEOA)

Additional: - Dennis DeMers (Tri-Valley) - Rico Alexander (PICA) - Skip Ferris (AEOA) - *Treasurer*

Friends: Maureen Rosato (Kootasca)

Staff: Kraig Gratke (Exec Dir), Paula Hanson (Membership)

APPENDIX B: FINANCIAL SUMMARY TABLE

Organization	EIN	Revenue (Latest)	Expenses	Assets	Top Exec Comp
MN Child Care R&R Network	41-1730422	\$9,578,543	\$9,246,252	\$8,449,489	\$126,354
MN Head Start Assoc	36-3579547	\$437,524	\$457,555	\$377,688	\$186,635*
MN Community Action Partnership	41-1407742	\$1,229,528	\$1,094,348	\$955,661	\$147,605
PICA	41-0956226	\$38,609,291	\$35,365,641	\$20,603,690	\$200,070
UCAP	41-0904860	\$26,450,501	-	-	Unknown

*Executive compensation as % of expenses

APPENDIX C: VIOLATIONS TIMELINE

Quality Learning Center Daycare

Year	Violations	Key Issues
2019	Multiple	Initial documented issues
2020	Multiple	Hazardous items near children
2021	Multiple	No records for children
2022	Multiple	Continuing compliance failures
2023	Multiple	95 total violations accumulated
2024	10	Conditional license removed

2025

Ongoing

Under federal investigation

TOTAL FUNDING RECEIVED (2019-2025): \$7.8 million

APPENDIX D: FRAUD SCHEME COMPARISON

Metric	Feeding Our Future	CCAP (Estimated)
Total Stolen/At Risk	\$250+ million	\$231+ million
Time Period	2020-2022	Ongoing
# Defendants/Providers	78 indicted	62+ under investigation
Conviction Rate	73%+ (57/78)	Pending
Recovery Rate	~24% (\$60M of \$250M)	Unknown
Primary Vulnerability	Fake meal counts	Fake attendance
Political Fallout	Governor withdrew	Federal funding frozen

CONCLUSION

Minnesota's child care nonprofit sector presents a **textbook case study** in how well-intentioned public funding can be systematically exploited through:

1. **Weak verification requirements** (payment before proof)
2. **Understaffed oversight** (4 investigators for \$300M+)
3. **Disconnected systems** (licensing vs. payment databases)
4. **Board cross-pollination** (same people overseeing multiple funding streams)
5. **Political resistance to accountability** (initial dismissal of fraud concerns)

The solutions are clear and implementable. The question is whether Minnesota's leadership has the political will to act.

Report Prepared By: OPUS - Project Milk Carton Intelligence Unit **Classification:** UNCLASSIFIED // FOR PUBLIC
RELEASE Distribution: Unrestricted

"The welfare of children is not a partisan issue. It is a human issue." - Project Milk Carton