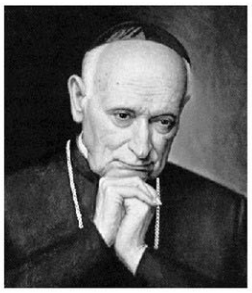
Mindszenty Report



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Fraud on the Federal Government: So Much Bigger Than Anyone Imagined

In 2025, the 23-year-old Nick Shirley became a media sensation. As he filmed outside of a Minneapolis day care center that received federal funds, no evidence of children could be seen – no equipment, no sign of parents dropping off children, no teachers, and no sounds that hinted at children playing or learning. CNN and NPR dismissed the "MAGA" "self-described journalist" and his findings that indicated a network of Somali thieves systematically defrauding the government.[1] It was old news, the networks suggested, although the story was one they had ignored.

This fraud went back more than a decade. It had already caught the attention of local television news reporters, conservative outlets, state and federal investigations, and, more rarely, the state's largest newspaper.[2]

Shirley's vivid report went viral as the administration of the newly elected President Donald Trump was making rooting out waste and fraud a priority. Blue states such as Minnesota and California proved to be strikingly oblivious to their fraud problems.

Since then, stories about fraud—ripoffs by medical supply companies and health care providers billing for unnecessary or nonexistent services, day care and centers purportedly helping autistic children that ran fraud schemes on a near-industrial scale, and SNAP benefits both stolen from legitimate users and siphoned off by thieves—seem to appear almost daily.[3]

Fraud once had the power to shock and serve as a call to action with bipartisan support. Today, the sheer volume of reports of wasted taxpayer funds perhaps dulls the response. News coverage of this whole issue appears largely in conservative and local outlets.

With this scattershot pattern in mind, we take stock of what we have learned about fraud and waste in federal social welfare programs. The lax oversight of the Covid pandemic years, when the idea was to shovel out federal money as fast as possible, explained the rot in the unemployment relief and Small Business Administration loan frauds covered in the December 2023 *Mindszenty Report*.[4] Minimal oversight is part of the wider failings, but so are the complexity of the health care system and the explosion of nonprofits, some of which intersect with race and immigration, two progressive sacred cows.

By the Numbers

Fraud in federal programs is hardly new, but it received a boost during the pandemic. *A 2024 Government Accountability Office (GAO) report estimated direct annual losses to the government from 2018 to 2022 ranged from $233 to $521 billion.* Building on reports from the Office of Inspector General and the Office of Management and Budget, the estimate includes adjudicated frauds, frauds in various stages of investigation, and projection of potential frauds.[5]

The GAO report covered 12 agencies that accounted for about 90 percent of government obligations during this period.[6] The estimate might be undercounted since not all agencies provided usable data. Targeted reports requested by Congress since the GAO report show no signs of improvement.[7]

The sheer amount of money dispensed through enormously complex systems and the many points of contact through states and nonprofits invite fraud. The health care system and the delivery of social services

illustrate how frauds operate and the losses to American taxpayers and public trust.

With massive budgets and layers of complexity, *Medicare and Medicaid alone lose more than $100 billion every year to fraud*.[8] The big money is to be found in fictitious services and providers. "It's just so easy. It's unbelievable," said one criminal who has been in and out of the business of prescription fraud.[9]

The Department of Health and Human Services' most-wanted list includes Khadeer Khan Mohammed. He is accused of using his firm to submit $93 million in Medicare claims between August 2023 and October 2024. Medicare paid out approximately $65 million of these claims, $13 million of which went out over a 10-day period. The core of the alleged scheme involved using physicians' identification numbers without their authorization. He fled before trial and is likely in India.[10]

Sometimes pharmacists and doctors are in on the scams (unauthorized or unnecessary medical equipment is a favorite); in others, fraudsters buy patient information and doctors' identifications to create fake orders. Money launderers take it from there.

Medicare and Obamacare Frauds

Some get caught. In May 2026, a jury convicted the flamboyant Brett Blackman of Medicare fraud and two lesser charges. Beginning in 2017, Blackman's scheme stole from both Medicare and seniors. Agents in an overseas call center persuaded recipients to order medically unnecessary equipment. His internet platform created false prescriptions for durable medical equipment, without a doctor ever seeing a patient. Telemedicine companies were paid to sign the orders. The scam billed Medicare for $1 billion.[11]

Brokers, individuals and organized groups also operate Obamacare frauds. The weaknesses in the signup system open the federal Marketplace for cheating. A decade ago, the GAO flagged the system for flaws that allowed registrations for benefits with fictitious—or no—Social Security numbers and no supporting income documentation. A recent test found nothing had improved: 18 of 20 fictitious applications the GAO planted in 2024 still received subsidized coverage a year later.[12]

In the early months of its operation, DOGE (the Department of Government Efficiency organized by Elon Musk in 2025) highlighted the sloppy at best, or fraudulent at worst, absence of verification that meant dead or impossibly old people remained on the Social Security rolls. Obamacare illustrates the problem. The GAO found that a single Social Security number turned up on 125 policies; $21 billion in subsidies went out without an effort to reconcile the applications with IRS income records; and 58,000 recipient Social Security numbers matched death records, with $94 million paid to insurers for dead people.[13]

Help is on the Way

The Justice Department launched the 2026 National Health Care Fraud Takedown, using data analytics and receiving the cooperation of federal, state and international partners. So far, at least 455 people have been charged, including 90 doctors and other medical professionals. The allegations involve opioid pill-mill schemes as well as fraud totaling over $6.5 billion. Medicare and Medicaid suspended more than 1,000 providers.[14]

One of those recently indicted is Marizel Yukee, a Filipino-American nurse practitioner. Operating four wound-care companies across four states, she and her co-conspirators allegedly submitted over $906 million in fraudulent claims for medically unnecessary wound allografts (tissue grafts taken from human donors).

According to the indictment, the scheme began with sales representatives and facility administrators paid off with kickbacks. They identified the elderly patients, some in hospice care, who then received medically unnecessary procedures. Grafts were applied to wounds that were already fully healed or infected. Her firms billed an average of over $1 million in claims per single Medicare beneficiary, often vastly overcharging for services.[15]

Yukee's clinics allegedly received nearly $300 million from Medicare and military health plans over the course of the scam, while also receiving illegal kickbacks totaling nearly $16 million from companies providing the grafts. Fraud purchased a luxurious lifestyle that included cars such as a $594,000 Ferrari, an $865,000 Bulgari diamond necklace, a million-dollar residential property in Hawaii, another property in the Philippines

and a $3 million certificate of deposit.[16] She has entered a not guilty plea.

The federal government program that provides health insurance for its workers and retirees has its own problems. Payments of $510 million were stopped and $29.1 million recovered over issues of fraud and misuse.[17]

The 2026 White House Task Force to Eliminate Fraud and its targeted surge of resources toward the most egregious cases have helped to bring to light and justice some of the fraud that had settled into the public welfare system.[18] On October 20, President Trump announced a new Fraud Whistleblowers Incentive Program to reward tipsters with cash commissions. Nick Shirley received the first check, for $10,000.

In late October the Treasury Department announced a crackdown on potentially $270 million in federal student loan fraud. Separately, Vice President JD Vance and FBI officials described charges against 40 people for $42 million in SNAP (food stamps) fraud.

States as Enablers: Minnesota

Federal grants originating in a variety of agencies—Health and Human Services, Agriculture and Labor among others—typically pass through to the states except in the cases of the largest grantees. States administer some programs but also pass grants to nonprofits that deliver the actual services and shares in oversight.

In theory, the devolution of spending produces better government. States have a better handle on local needs than a one-size-fits-all federal approach, and paying nonprofits to provide services saves money that would otherwise go to the creation of government offices and staff. Nonprofits may offer flexibility, less bureaucracy, and perhaps even innovation. Both Democratic and Republican administrations have favored this approach. Yet, being closer to the needs of the people folds in additional layers of fraud possibilities.

The most spectacular single Covid-era fraud in the United States was Feeding Our Future, which combined "a Third-World tribal culture with an urban Democratic establishment." A small nonprofit run by and purportedly serving the Minneapolis's 100,000-strong Somali population, it sponsored sites such as day care centers and autism centers. Everything was faked—sites, services, vendors and even the board that consisted of two bartenders and a mechanic who had no idea they had responsibility.

Between March 2020 and January 2022, when federal agents shut down the operation, this group of almost entirely Somali immigrants allegedly pocketed $250 million from a federal child nutrition program administered by the state. Before the federal intervention, fear of being considered racist or xenophobic was enough to stifle any curiosity on the part of state administrators.[19]

Autism centers, also focused on Somali immigrants, were another way to easy money. One participant picked up $6 million in an autism fraud to which he has pleaded guilty. Abdinajib Hassan Yussuf ran Star Autism, with teenaged relatives providing the services. Fraudsters targeted parents in the Somali population, providing kickbacks to the parents once they secured a diagnosis. Minnesota also wasted millions of dollars on housing stabilization and home health care frauds.[20]

Minnesota's scandalous record of allowing fraud on government programs has effectively cut short the political career of its governor, Tim Walz (the 2024 running mate of Kamala Harris), who has announced he will not run for re-election as governor.

California

Two major frauds stand out in the notoriously lax Golden State. The first involved a nonprofit, Home At Last, that is part of the vast homelessness industry in Los Angeles. The roughly 73,000 people currently homeless are served by substantial budgets—$953 million from the city and $843 million from the county, combined through the Los Angeles Homeless Services Authority, plus state and federal grants.[21]

Hundreds of nonprofits contract with the Homeless Services Authority to provide services such as outreach, temporary housing, case management and homelessness prevention. Most are probably reasonably effective within the confines of an impossible situation. Others steal.

Home at Last received $75 million from the Homeless Services Authority to operate housing services. It is not clear what Home at Last did for the homeless, but it spent

more than $1 million to open a high-end restaurant and nightclub and $6.5 million more on vacations, cars and other commercial properties. Three alleged fraudsters await their hearings.[22] Meanwhile, the Homeless Services Authority's incompetence caused Los Angeles County to cut ties.

California is still digging out of Covid-era unemployment benefits fraud. *Thieves collected an estimated $20 billion* in fraudulent payments, with imprisoned rapists, child molesters, and murderers among those collecting benefits. Recovering the funds has been slow going, with the statute of limitations about to run out. California is the only state that has not paid back loans from the federal government to cover unemployment benefits, and the state system is running a $22 million deficit. A federal investigation is ongoing.[23]

And that is not all. Drawing on the state auditor's High Risk report and whistleblower informants, Republican gubernatorial candidate Steve Hilton and state controller candidate Herb Morgan compiled "Califraudia," a running estimate of the scale of waste, fraud and abuse. They estimate that up to *$250 billion is lost to pay-to-play schemes in public education, faked college enrollments that collect aid, and known verification problems in the state's food stamp and Medicaid programs.*[24]

Modern data analytics should make identifying potential frauds for investigation easier. Whether the government wants to bother should not rest on the commitments of a single administration but rather on a shared sense of what is right.

[1] https://www.cnn.com/2025/12/30/media/nick-shirley-minnesota-somali-video; https://www.npr.org/2025/12/31/nx-s1-5662600/nick-shirley-minnesota-daycare-fraud
[2] https://www.powerlineblog.com/archives/2026/08/speaking-of-nick-shirley.php
[3] One recent example is https://www.foxnews.com/politics/bombshell-report-exposes-healthcare-fraud-schemes-taxpayers-lose-521-billion-annually
[4] https://mindszenty.org/wp-content/uploads/2023/11/MINDSZENTY-DECEMBER-2023-FINAL.pdf
[5] https://www.gao.gov/products/gao-24-105833
[6] The agencies were Department of Defense, Department of Education, Department of Homeland Security, Department of Labor, Department of the Treasury, Department of Health and Human Services, Office of Personnel Management, Social Security Administration, Department of Agriculture, Department of Veterans Affairs, Department of Transportation, and the Small Business Administration.
[7] https://www.gao.gov/assets/gao-26-107609.pdf; https://www.gao.gov/products/Gao-25-107508; https://www.gao.gov/assets/gao-25-107508.pdf
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