

Legislative Audit Commission

May 26, 2021



OLA Office of the Legislative Auditor
State of Minnesota

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Department of Human Services:
Behavioral Health Grants Management

Internal Controls and Compliance Audit
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Why Audit?

- Concerns about management of the DHS Behavioral Health Division (BHD)
- Recent merger of three separate divisions into one division
- High volume of grants and related federal and state funding
- OLA had not audited BHD

Background

DHS Behavioral Health Division:

- Oversees Minnesota's mental health and substance abuse prevention and treatment services by the state
 - Prevention, treatment, short-term and long-term care, home- and community-based services
- BHD pays providers directly and issues grants to counties, tribes, and nongovernmental service providers

Background

- Behavioral Health Division Grants:
 - Manages about 700 grants and \$134 million annually
 - Formula Grants
 - **Contract Grants (Competitive Bid, Legislatively Named, Sole/Single Source)**
 - **Fiscal Year 2019: Totaled \$58 million**
- BHD must follow Department of Administration Office of Grants Management (OGM) policies and procedures

Audit Objectives and Scope

- DHS Behavioral Health Division
 - Management of the Behavioral Health Division
 - Grant Award Process
 - Oversight of Contract Grants and Payments
- Audit period: July 2017 through March 2020
- Audited samples of grant agreements, requests for proposals, and related financial and monitoring documents

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Conclusions

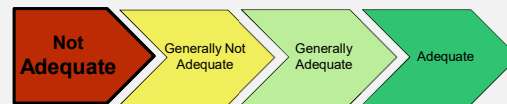
DHS, through its Behavioral Health Division, did not comply with legal requirements and state policies related to grant oversight.

Legal Compliance



Internal controls over the areas in our audit scope were not adequate.

Internal Controls



Findings: Management of Behavioral Health Division

- DHS and BHD lacked effective oversight of BHD grant administration to ensure compliance
 - No analysis of risk of fraud, waste, abuse, and noncompliance
 - No evaluation of policies and procedures for effectiveness
 - Inadequate process to assign grant managers, track and monitor grants
 - Lacked basic case management tools (standard procedures, checklists)

Result: Noncompliance with state personnel and OGM policies and legal requirements for recordkeeping and grant oversight

Findings: Management of Behavioral Health Division

- BHD did not have adequate internal controls or comply with legal requirements to make and preserve documentation
 - No written policies and procedures
 - Did not identify:
 - Specific documents to create and preserve
 - How and where to retain documents

Result: Missing historical information related to grant awards, vendor performance, grant outcomes, and oversight of funds.

Findings: Management of Behavioral Health Division

- BHD administrators did not ensure that employees had the appropriate skills, knowledge, and job descriptions
 - Some position descriptions inadequate or not updated
 - Grant management training not coordinated or required

Result: Noncompliance with requirements for award of grants, oversight of grantee activities and payments, and evaluations of grantees.

Findings: Grant Award Process

The Behavioral Health Division did not:

- Document and retain conflict of interest disclosures
 - 25 sample grant agreements and related RFPs:
 - 21 samples: BHD did not provide any COI disclosures to OLA
 - 4 samples: Documentation inadequate
- Always use a standardized scoring process for competitive bids
- Determine if grant recipients were financially stable before award
- Demonstrate compliance with grantee selection requirements

Key Findings: Oversight of Grants and Payments

The Behavioral Health Division did not:

- Ensure grantees submitted required progress reports and withhold payments to grantees whose reports were past due.
- Conduct and document required monitoring visits of grantees
- Conduct and document required financial reconciliations of grantees' expenditures
- Complete required closeout evaluations of grantees

Key Recommendations: Internal Controls and Compliance

DHS and the Behavioral Health Division should:

- Conduct a required risk assessment of BHD's oversight of grants
- Design, implement, and maintain effective internal controls to administer grants and ensure compliance with state policy and law
- Make and preserve required documentation related to grant oversight
- Ensure BHD staff have necessary skills and knowledge
- Comply with OGM policies and procedures and legal requirements for the grant award process and oversight of grants and payments

Questions?

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Report available: <https://www.auditor.leg.state.mn.us/fad/pdf/fad21-03.pdf>