

Department of Human Services: Behavioral Health Administration Grants

Performance Audit
Released January 6, 2026

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Objectives and Scope

Did the Behavioral Health Administration (BHA):

- Administer its grants in **compliance** with applicable requirements?
- Establish an environment with **effective internal controls**?
- Provide grant managers with **appropriate training**?

Scope:

- July 1, 2022 – December 31, 2024

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2

Background

Behavioral Health Administration (BHA):

Administers grants to provide prevention, treatment, and recovery services for individuals with mental health conditions or substance use disorders.

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3

Grant Expenditures and Agreements

Expenditures and Agreements	July 1, 2022, Through December 31, 2024
Total Grant Expenditures	\$425,541,000
• Grants to Nongovernmental Organizations	\$191,855,000
Total Number of Grant Agreements	830
• Number of Grant Agreements with Nongovernmental Organizations	590

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4

Areas Tested

- Requests for proposals and single source grants
- Grant agreements and amendments
- Grant payments
- Grant monitoring
- Grant closeout evaluations
- Training and control environment

Results

- BHA did not comply with most requirements we tested
- Report contains 13 findings, including 4 repeat findings

Single Source Grants (p. 13)

BHA did not comply with single source grant requirements for 15 out of 24 grants tested:

	Number of Grants	Amount Paid
Inappropriately Bypassed Competitive Bid Process	14	\$3.1 million
Could Not Justify Why Single Source Was Used	1	\$1.6 million

Grant Payments

- BHA paid \$915,540 to 6 grantees for work performed **before BHA executed grant agreements** (p. 18)
- BHA **overpaid** \$41,803 to 2 grantees (p. 19)
- BHA paid \$2.5 million to 13 existing grantees, **bypassing competitive grant award process** (p. 21)

Grant Monitoring: Progress Reporting (p. 22)

Missing or past-due progress reports for 27 of 51 grant agreements

- BHA paid over \$13 million

Grant Monitoring: Visits (p. 24)

Missing documentation for 27 of 67 monitoring visits

OLA Performed Site Visits (p. 25)

Serious concerns with 1 grantee and 2 subcontractors:

- We could not determine if they provided grant-related services
- Grant manager left BHA and started working for the grantee after approving payment of \$672,647.78
- Subcontractors were not required to keep documentation
- Each subcontractor received the same amount for different types and quantity of work

Grant Monitoring: Financial Reconciliations (p. 26)

Incomplete financial reconciliations for 63 of 71 grant agreements

- No documentation
- Limited documentation
- Reconciliations completed after final payments

OLA Performed Financial Reconciliations (p. 28)

BHA paid almost \$296,000 to 11 out of 18 grantees for:

- Unsupported costs
- Reimbursement requests with errors

BHA Closeout Evaluations (p. 30)

For 58 out of 70 grant agreements we tested, BHA:

- Did not complete 26 evaluations until after we requested documentation
- Did not complete 28 evaluations within the 60-day requirement
 - 10 were at least 200 days past final payment
- Did not provide documentation for 4 evaluations

Payments to Legislatively Named Entities (p. 32)

Laws of Minnesota 2024, chapter 127, article 67, sec. 3, subd. 8(b):

\$1.5 million in fiscal year 2025 is for a payment to ... to provide comprehensive integrated health care through the certified community Behavioral health clinic model of service....

- No mechanism for oversight
- Not subject to Office of Grant Management policies

Legislative Recommendation (p. 32)

- The Legislature should decide whether it wants entities that receive “payments” to be considered grantees and **subject to Office of Grant Management policy.**

Or

- If not, the Legislature should **identify the type of oversight it expects** from BHA.

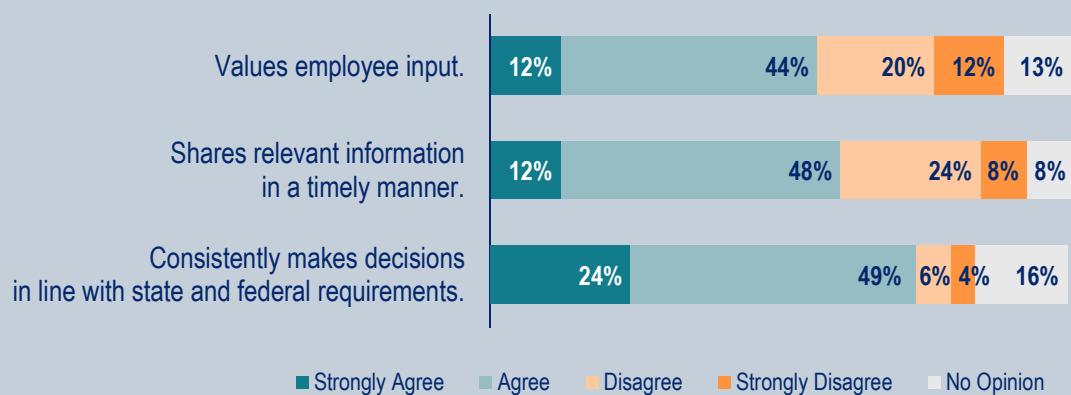
Survey of BHA Employees

- Focused on leadership and grant management training
- 196 employees surveyed
- 86 percent response rate

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17

BHA Leadership Feedback (p. 34)



Source: Office of the Legislative Auditor, survey of current BHA employees, summer 2025.

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BHA Leadership Feedback

Quote from one staff:

“Executive leadership has repetitively shown staff that they won’t take the staff’s concerns or questions seriously until something serious happens or it makes the news.”

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19

Grant Management Training Feedback (p. 35)

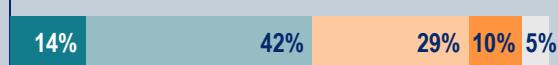
Please indicate the extent to which you agree or disagree with the following statements.

I received sufficient training:

To fulfill my grant management responsibilities before I began managing BHA grants.



To fulfill my grant management responsibilities while managing BHA grants.



■ Strongly Agree ■ Agree ■ Disagree ■ Strongly Disagree ■ No Opinion

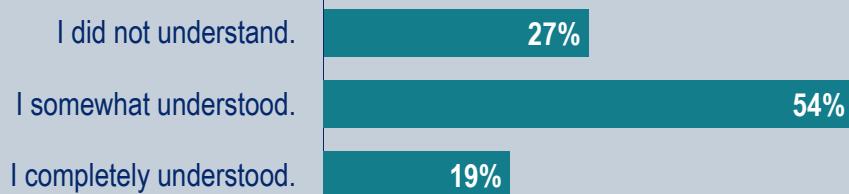
Source: Office of the Legislative Auditor, survey of current BHA employees, summer 2025.

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20

Financial Reconciliation Understanding Feedback (p. 36)

To what extent did you understand how to appropriately conduct reconciliations of grantee expenses?



Source: Office of the Legislative Auditor, survey of current BHA employees, summer 2025.

Summary of Recommendations

- Establish sufficient internal controls to ensure compliance with grant requirements
- Conduct grant monitoring activities as required by state policies
- Train employees on how to perform grant management work
- Ensure that supervisors oversee work of assigned grant managers
- Remedy issues identified in OLA financial reconciliations

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