

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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Background

Behavioral Health Administration (BHA):

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

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

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.**

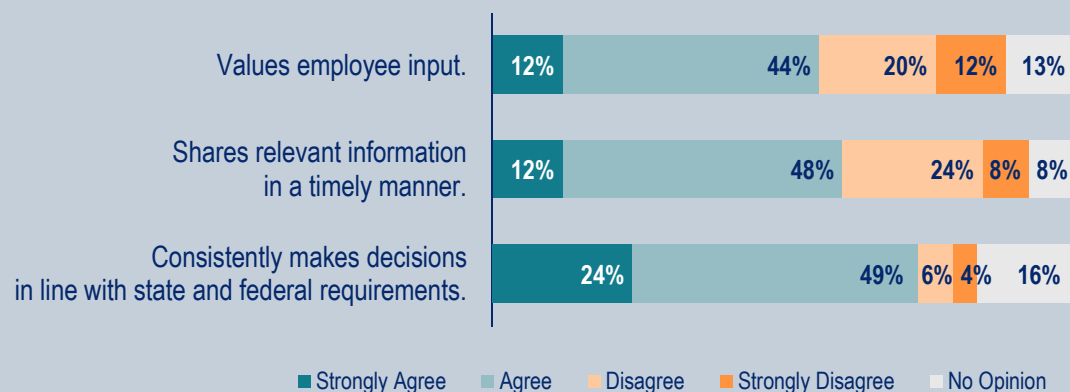
Or

- 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

BHA Leadership Feedback (p. 34)



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

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.”

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.

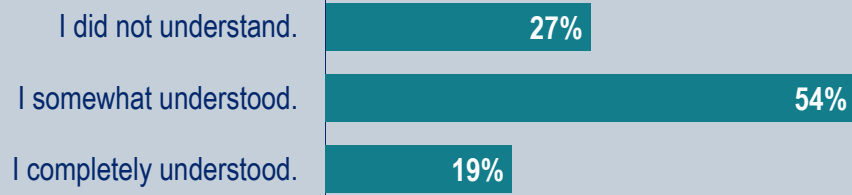


Strongly Agree Agree Disagree Strongly Disagree No Opinion

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

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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