



# Fraud Prevention and State Agency Oversight Policy Committee Hearing March 16th

Shireen Gandhi | Commissioner

# Strong internal controls are critical

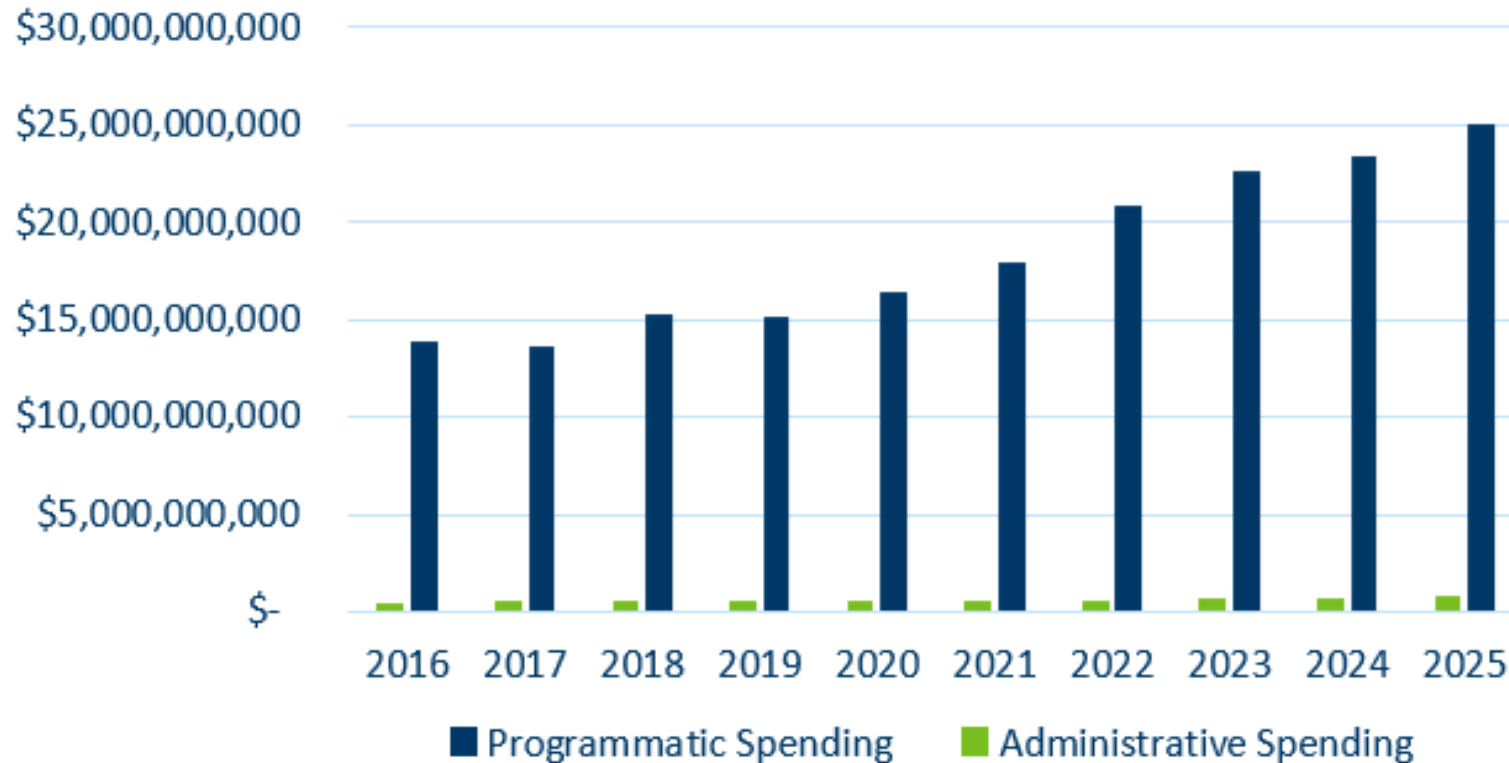
## Strong internal controls and processes for behavioral health grants are critical to:

- Protect taxpayer dollars
- Ensure the effective use of funds to promote positive behavioral health outcomes
- Empower people and families to engage in treatment and recovery



# Administrative Resources Are Key to Supporting Strong Internal Controls

## Changes in Programmatic & Administrative Spending



DHS is operating with an administrative budget that is **2% to 3%**. This includes all FTEs and systems costs across all DHS programs.

Administrative appropriations are separate from programmatic appropriations and **do not keep pace with programmatic growth**.

- From fiscal year 2020 to 2025:
- Grant dollars increased by **80%**

# Audit Timing

- The auditor's report covers July 1, 2022, through December 31, 2024.
- DHS was in the process of implementing systems improvements and corrective actions in response to the findings of a previous OLA report on the Behavioral Health Administration's grants award process released in April 2024. The earlier report focused on grants from July 1, 2022, through June 30, 2023, which overlaps with the time-period for today's report.
- As expected, due to this overlap, many of the improvements and systemic changes DHS has been working to put in place were developed, and in the early stages of implementation, during this audit.



# Resolved BHA Grant Audit Findings

## Requests for Proposals (RFPs)

- The 2026 OLA audit reviewed BHA's RFP process, testing a sample of 14 out of 36 requests for proposals (7 judgmental and 7 random samples) to assess compliance with Office of Grants Management (OGM) policy. The auditors found no significant issues.

## Conflict of Interest - RFP Reviewers - *How BHA Resolved This*

- Implemented a pre-workflow checklist to help grant managers ensure all required documentation—including conflict of interest forms—is uploaded in CIS before contract work begins.
- Established an internal control requiring the contract specialist to review all pre-award documentation and confirm it is complete before initiating any contract work.

## RFP Language - Required Elements – *How BHA Resolved This*

- BHA now uses only the RFP template approved by Contracts and Legal Compliance (CLC), and all RFPs are reviewed by CLC prior to publishing.
- BHA provides internal training reinforcing the importance of including all required elements and continues to monitor RFPs for compliance.

# Resolved BHA Grant Audit Findings

## **RFP Scoring - How BHA Resolved This:**

- Reviewed RFP standard operating procedures, created checklists, and developed training on updated procedures and forms, including verification that score sheets align with RFP language.
- Continues to provide targeted training on rating criteria for competitive grant review and proposal selection processes.

## **Advance Payments to Grantees - How BHA Resolved This:**

- Implemented a “Pre-Workflow Checklist” to guide Grant Managers and Contract Specialists through required steps prior to initiating payments.
- Developed a standardized “Request for Contract Advance for BHA Grantees” form to document grantee financial stability, justify advance payment needs, obtain required approvals, and ensure consistent oversight.
- Provides comprehensive training on grant payments and financial management, emphasizing collaboration with Legal and Financial Operations divisions for advance payment requests.

# Status on Addressing Open Findings

	Finding	Target Completion Date
1	Single source grants were not always justified and did not sufficiently document reasons for single source grant.	June 2026
2	Grant agreements did not always cite statutory authority.	June 2026
3	Grant amendments were not always executed prior to expiration of original grant agreement	June 2026
4	Grantees were paid for work performed prior to execution of grant agreement.	March 2026
5	Two grantees were overpaid.	December 2026
6	Competitive bid process was not used to award mental health provider supervision grant funding.	June 2026
7	Grant payments were issued to grantees with insufficient or past-due progress reports.	December 2026
8	Required monitoring visits could not be demonstrated or were not documented.	June 2026
9	Financial reconciliation could not be demonstrated.	June 2026
10	Grant payments were issued for costs that were not incurred or not properly supported by documentation.	June 2026
11	Performance evaluations for grantees were not completed.	June 2026
12	Payments to legislatively named entities were not subject to grant oversight.	N/A
13	Staff report insufficient training and poor leadership practices.	June 2026

# Corrective Action Plan for BHA Audit Report

- 1. Develop and implement standardized grant policies, procedures, and internal controls** to ensure compliance with state, federal, and agency requirements.
- 2. Establish and strengthen internal controls and oversight mechanisms across the full grant lifecycle:** including Pre-award; Grant management and monitoring; and Grant Closeout
- 3. Increase consistency, transparency, and accountability in grant processes across the agency by:**
  - Developing and implementing on-demand training for staff and leadership on progress reporting, and grantee performance evaluation
  - Enhancing reporting tools and the Contracts Integration System (CIS) to support oversight, accurate tracking, documentation, and timely reporting of grant compliance requirements
  - Strengthening leadership and staff awareness and accountability
  - Ensuring Contracts Integration System (CIS) data is accurate, timely, and consistent

# Overview of Work in Progress



- Streamlining grant management processes and reducing the potential of conflicts of interest, fraud, waste and abuse in the grant making process through the development of standardized business processes and clear roles and responsibilities.
- Increasing and improving oversight and supervision of grant managers to ensure compliance with all Office of Grants Management and DHS requirements.
- Establishing stronger internal controls to ensure progress reports are received and reviewed before payments are issued.
- Adding internal controls to ensure invoices are validated and authorized prior to payment disbursement.
- Strengthening oversight to verify that monitoring visits are conducted and appropriately documented, and that grant closeout reports are completed within the required timeframes.

# DHS agencywide grants standardization

## Continuous Improvement Project Started May 2025

- Purpose-To address audit findings, streamline grant management processes and reduce the potential of conflicts of interest, fraud, waste and abuse in the grant making process through a standardized business process and clear roles and responsibilities.
- This will be achieved through the creation of DHS Agency Wide:
  - process standards and policy alignment for grants
  - grant compliance expectations, including monitoring and controls
  - grant management separation of duties
  - alignment of grants staff to statewide job classification standards

# Additional DHS Commitments

## Required training for DHS grant staff

### OGM Grant Training

- 99.7% Completion rate for Introduction to Grant Administration as of 2/11/26
- Actively tracking staff to ensure completion of the Fraud Awareness training due 6/30/26

### DHS Grant and Contract training 99.7% completion rate as of 2/11/26

- Introduction to the Contracts Integration System (CIS)
- Contracts Integration System (CIS) Workflow Overview
- Pre-Award Risk Assessment (PARA)
- Financial Reconciliation
- Grant Monitoring Visits
- Insurance in Contracting Basics
- 16a/C Violations in Contracts
- Federal Funding in State Grants and Contracts



***BHA training completion rate stands at 100%***

# Additional DHS Commitments

## Make Grant Contracts Available on a Public Website

- Made a list of all current DHS grant contracts available by February 4.-[Active grant contracts / Minnesota Department of Human Services](#)
- On March 16 DHS started uploading the current grant contracts to the webpage, with a goal of having all grant agreements uploaded by early April.
- After that DHS will be updating the website on a monthly/quarterly basis to add new grant contracts.

## Active grant contracts

The Minnesota Department of Human Services strives for transparency in how it uses state and federal funds to improve the lives of Minnesotans. The list below, which is updated monthly, includes the department's active grant contracts as of the date indicated. The list is searchable and sortable.

*The Minnesota Department of Human Services makes every effort to have its website meet the [state of Minnesota technology accessibility policies standards](#). For formats of this information or assistance with additional equal access to human services, email us at [dhs.info@state.mn.us](mailto:dhs.info@state.mn.us), call 651-431-2000, or use your preferred relay service. ADA1 (3-24)*

UPDATED: January 14, 2026

Vendor	Contract No.	Contract start da...	Contract end date
▶ 180 DEGREES INC	233100	2023-07-01	2027-06-30
▶ 180 DEGREES INC	230960	2023-07-01	2027-06-30
▶ 180 DEGREES INC	230851	2023-07-01	2027-06-30
▶ 180 DEGREES INC	273228	2025-07-15	2027-06-30
▶ 2NDCHANCEPROJECT	279315	2025-11-01	2027-06-30
▶ 6095 52 AUSTIN ALBERT LEA AREA	281014	2025-12-16	2026-06-30
▶ A HOME FOR THE DAY LLC	260167	2024-12-01	2026-06-30
▶ A PLACE FOR YOU	242127	2023-07-01	2028-06-30
▶ A PLACE FOR YOU	234870	2023-07-01	2027-06-30

# Documentation Investigation

## Documentation Investigation Summary

- 12/18: OLA notifies DHS that there are potential documentation issues, including possible document falsification and/or backdating at its internal exit conference on the BHA audit.
- 12/18: *Early evening* - The DHS Commissioner and Chief Compliance Officer met with OLA to get immediate additional details about the issues.
- 12/19: The Compliance Office, working with its Digital Forensics lab, begins the process of identifying and pulling data related to the BHA documentation investigation.
- 12/23: DHS secured investigative resources.
- 12/24: Investigation plan is developed:
  - Phase 1-Interview/investigate staff who were specifically identified as having possibly created/falsified or backdated records.
  - Phase 2- Review supporting documentation for staff who uploaded grant reports to the CIS after the OLA data request came in.

# Investigation Process and Data Privacy Requirements

- For most state employees, disciplinary information is private while an investigation is active. -MN Statute 13.43, subd. 2(a)(5)
- Pursuant to MN Statute 13.43, subd. 2(b), disciplinary information transitions to public status only when:
  - **A Final Decision is Made:** The government entity makes its final decision regarding the disciplinary action. Staff have up to 21 days to appeal discipline depending on language in the Collective Bargaining Agreement or Plan;
  - **Appeals are Exhausted:** If the employee is a member of a collective bargaining unit and appeals the discipline, data becomes public only after the conclusion of any grievance or arbitration process. It can take several months to a year or more for arbitration to be scheduled, heard, and decided.
  - **The Discipline is Sustained:** If an arbitrator reverses the discipline in its entirety, the data does **not** become public.
- What Specifically Becomes Public? Once a final disposition is reached, under MN Statute 13.43 subd. 2(b) the following data points are accessible to the public:
  - **The final disposition:** Whether the employee was suspended, demoted, or discharged.
  - **The specific reasons:** The underlying facts and documentation that served as the basis for the discipline.

# Thank you

Shireen Gandhi, Commissioner