

Minutes
Legislative Audit Commission
January 6, 2026

Members Present:

Senator Calvin K. Bahr
Senator D. Scott Dibble
Senator Steve J. Drazkowski
Senator Mark W. Koran
Senator Ann H. Rest
Representative Patti Anderson
Representative Emma Greenman
Representative Rick Hansen
Representative Steven Jacob
Representative Fue Lee
Representative Duane Quam

Members Absent:

Senator Tou Xiong

Senator Ann H. Rest, Chair, called the Legislative Audit Commission meeting to order at 2:00 p.m. in room G3 State Capitol to hear key findings and recommendations in the performance audit, *Department of Human Services: Behavioral Health Administration Grants*. Senator Rest introduced Judy Randall, Legislative Auditor; Lori Leysen, Deputy Legislative Auditor; and Valentina Stone, Audit Director; from the Office of the Legislative Auditor (OLA).

Ms. Randall began by drawing members' attention to the beginning of the report, which explained that OLA had identified a number of documents that were either backdated or created after the audit began by staff at the Department of Human Services (DHS) Behavioral Health Administration (BHA). She said this behavior is unacceptable and interferes with OLA's ability to do its work, undermines the integrity of the audit itself, and undermines an agency's ability to have clear insight into how it is operating. Ms. Randall then turned to Ms. Stone and Ms. Leysen to present the findings and recommendations from the audit.

Ms. Stone explained that the audit's scope was from July 1, 2022, through December 31, 2024, and that BHA administers grants to provide prevention, treatment, and recovery services for individuals with mental health conditions or substance use disorders. Audit areas tested included requests for proposals and single source grants; the training and control environment; and grant agreements, amendments, payments, monitoring, and closeout evaluations. She said that BHA did not comply with most requirements tested, and the audit contained 13 findings, 4 of which were repeat findings.

Ms. Stone detailed issues such as BHA paying grantees for work performed before grant agreements were executed, grant overpayments, BHA bypassing competitive grant award processes, missing or past-due grant progress reports, missing documentation for site visits, incomplete financial reconciliations, and incomplete or missing closeout evaluations. She added that OLA conducted a survey of BHA staff to gauge their feedback on leadership at BHA, their training at BHA, and their understanding of financial reconciliation.

Ms. Stone closed with steps BHA could take for improvement, including establishing sufficient internal controls, conducting grant monitoring as required by state policy, training employees on grant management, and having better supervision of grant managers.

Senator Rest then asked for member discussion. Discussion included questions on what state laws or what policies from the Office of Grants Management guide maintaining proper documentation and how backdated documents were discovered. Members also raised questions regarding how BHA determined

what entities would receive grants or BHA's justification for single source grants; what guides the monitoring of legislative, direct appropriation grants that are named as "payments" in statute; training, skills, and oversight at BHA; and the ability to pause grant payments if fraud is suspected or conflicts arise.

Senator Rest next introduced Shireen Gandhi, DHS Temporary Commissioner, clarifying that Ms. Gandhi was not the person in charge of DHS during the audit period.

Ms. Gandhi thanked the LAC for inviting her and OLA for its work on BHA's grant processes. She began by saying that she was shocked to hear that anything other than an accurate representation of documentation would have been provided to the auditors. She added that DHS is swiftly and thoroughly investigating these concerns. Ms. Gandhi said she accepts responsibility for the findings and will ensure that DHS closes the findings. She said there were two central themes for DHS: (1) increased oversight and supervision of grant managers, and (2) adequate and comprehensive training for grant managers. She said much of this work had been underway from the previous audit, and that DHS had hired a dedicated assistant commissioner and a compliance and contract manager, as well as two quality assurance employees for BHA since then. She said their contract integration system is being enhanced to support retention of relevant grant documents, along with the date and time they are received from staff. She plans to complete all audit findings by the end of 2026, with most being completed by the summer.

Senator Rest then opened the meeting for member discussion. Members questioned how so many grants could have had backdated or falsified documents and asked if staff had been told to do so. Ms. Gandhi replied that it is an HR matter and that the HR investigation would drive other actions, depending upon what they find. Members also asked questions regarding oversight of grant managers and transparency regarding the grants DHS has awarded.

There was further discussion as to how the Legislature might consider funding in ways other than grants. Ms. Gandhi said that grants are not an effective financing mechanism for ongoing, critical services like mental health, substance use disorders, or mobile crisis services, as the process to get a grant started and work with contractors takes time. When asked if DHS has the authority to stop payments from going to people or services that do not exist, Ms. Gandhi said yes, and that DHS puts in their contract templates they can cancel a contract for any reason, without cause. She said DHS has several methods to recover payments, such as demand letters and referrals to law enforcement.

Final discussion included the need for agencies to continue to use and improve the sharing of information on entities that the state should not be contracting with, and to take disciplinary action for personnel as needed, so that the state can effectively deliver the services and supports for which the grants are intended.

Seeing no further discussion, Senator Rest adjourned the meeting at 4:28 p.m.

Senator Ann H. Rest, Chair

Maureen Garrahy, Recording Secretary