



STATE OF ILLINOIS OFFICE OF THE AUDITOR GENERAL

Frank J. Mautino, Auditor General

REPORT DIGEST

PERFORMANCE AUDIT

**Release Date:
April 2020**

Audit performed in
accordance with
**House Resolution
Number 214**

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EXECUTIVE SUMMARY

ISC Selection Process

On September 11, 2018, the Department of Human Services (DHS) posted a notice seeking proposals to provide Independent Service Coordination (ISC) services beginning July 1, 2019. This Notice of Funding Opportunity (NOFO) proposal process was the **first time DHS had requested to competitively procure these services**, services which have been provided for nearly 30 years. For the period FY15-FY19, DHS expended **\$179 million** on ISC services.

During the audit we found:

- DHS, prior to issuing the NOFO, **reduced the number of ISC regions from 17 to 12**. These 12 regions were awarded to eight ISCs.
- Six FY19 ISCs chose not to submit proposals for the NOFO.
- After the ISC awards were announced, the nine ISCs that did not receive an award **experienced a drop in State funding or closed completely**.
- After announcement of winning proposals, four ISCs and a guardian of an individual with developmental disabilities **filed suit against DHS** in two separate courts.
- DHS did not provide accurate information to the General Assembly **on matters relative to the ISC NOFO**.

From a planning perspective we found:

- DHS has stated the competitive selection process for the ISC services was driven by the requirements of the Grant Accountability and Transparency Act (GATA). However, the **DHS position was incorrect – ISC services were exempt from competitive bidding based on the Medicaid exemption to GATA, according to the Department of Healthcare and Family Services**.
- DHS developed **scoring parameters** that contained a number of **deficiencies**.
- DHS failed to adopt administrative rules relative to GATA and also did not have policies and procedures for conducting a NOFO process prior to the actual procurement process.
- DHS evaluators spent a **marginal amount of time** on the evaluation. **Only two days were budgeted** for evaluation even though DHS had the proposals for 17 days.

From an evaluation perspective we found:

- DHS did not **develop and maintain evaluator meeting minutes** for the three evaluation groups that scored the ISC proposals.
- DHS **failed to follow the selection criteria for awarding ISC services** for FY20.
- that **evaluation criteria were not uniformly applied** in the ISC NOFO. DHS **failed to review** whether the evaluation team for the ISC NOFO **followed scoring parameter guidance** when assigning scores. This failure, based on our assessment of the scoring, resulted in **three instances where a different ISC may have been selected**. In two of the three instances the ISCs **went out of business**. This analysis was constructed by re-scoring proposals based on, as noted earlier, a scoring instrument that contained **some** flawed parameters. **These were, however, the parameters used to score proposals**. Given the flawed scoring instrument and other uncertainties with scoring, such as a lack of discussion of scoring differences, we cannot say with absolute certainty which proposer should ultimately have won the award. Overall, we found **274 scoring irregularities** in DHS documentation for the regions where there was competition.
- DHS **did not maintain documentation to show how appeals to the ISC NOFO selections were determined**.

AUDIT SUMMARY AND RESULTS

On May 30, 2019, the Illinois House of Representatives adopted House Resolution Number 214, which directed the Auditor General to conduct a management audit of the Department of Human Services’ (DHS) selection of Independent Service Coordination (ISC) agencies for FY20. The Resolution contained five determinations. Our assessment of these determinations is shown in Digest Exhibit 1.

Digest Exhibit 1 ASSESSMENT OF AUDIT DETERMINATIONS	
Determination from Resolution	Auditor Assessment
<i>Whether all aspects of the competitive funding process were conducted in accordance with applicable laws, rules, regulations, and policies.</i>	<ul style="list-style-type: none"> DHS did not comply with all requirements of the Illinois Administrative Code in conducting the ISC Selection NOFO process. (pages 58-60)
<i>Whether the evaluative criteria guiding DHS's selection of ISC agencies were adequate and uniformly applied.</i>	<ul style="list-style-type: none"> The evaluation criteria were not uniformly applied in the ISC NOFO. (pages 67-73)
<i>Whether decisions concerning the selection of successful bidding agencies were adequately supported and documented.</i>	<ul style="list-style-type: none"> DHS failed to follow the selection criteria for awarding ISC services for FY20. (pages 63-67)
<i>Whether decisions concerning the resolution of protests were adequately supported and documented.</i>	<ul style="list-style-type: none"> DHS did not maintain documentation to show how protests were determined. (pages 73-76)
<i>Whether the competitive funding process was adequately planned to allow reasonable time frames for response by bidding agencies, review of responses by DHS, and implementation of the transition of ISC services from unsuccessful to successful bidding agencies.</i>	<ul style="list-style-type: none"> While documentation showed that DHS did conduct planning, the planning was inadequate and not always timely. (page 23)
Source: OAG assessment of the audit determinations contained in House Resolution Number 214.	

DHS oversees the administration of ISC services in Illinois.

DHS oversees ISCs and conducted a competitive procurement for the grant funds for the first time in the history of the program. DHS, through its Division of Developmental Disabilities (DDD), oversees the administration of ISC activities around the State of Illinois. ISC agencies serve as the primary connection between individuals (and guardians) who are seeking or receiving developmental disability services and the DHS’ DDD. (pages 4, 6)

During the audit we found:

- ISC agencies are essential to providing accurate individual information for statewide planning, as well as collaborating with service providers to ensure individual’s health, safety, welfare, well-being, and satisfaction with services funded by DDD. (page 6)
- ISC services, according to DHS, have been provided for nearly 30 years. For the period FY15-FY19, **DHS expended \$179 million** on ISC services under the four contracts with ISC agencies. Digest Exhibit 2 provides the expenditures by service contract. (page 6)

Digest Exhibit 2 PAYMENTS FOR ISC SERVICES Fiscal Years 2015-2019					
Fiscal Year	PUNS ¹	PAS ²	ISSA ³	Bogard ⁴	Totals
2019	\$6,530,052	\$6,757,053	\$26,074,738	\$334,480	\$39,696,323
2018	\$5,677,659	\$6,576,069	\$24,841,490	\$369,591	\$37,464,809
2017	\$6,805,902	\$6,368,976	\$20,111,487	\$387,245	\$33,673,610
2016	\$7,238,870	\$6,368,976	\$20,297,874	\$429,944	\$34,335,664
2015	\$7,238,868	\$6,368,976	\$19,654,783	\$429,944	\$33,692,571
Totals	\$33,491,351	\$32,440,050	\$110,980,372	\$1,951,204	\$178,862,977

Notes:
¹ Independent Service Coordination for outreach, education, and Prioritization of Urgency of Need for Services (PUNS) registration and management.
² Pre-Admission Screening (PAS) for eligibility determination, initiation of services, and first month of service monitoring.
³ Individual Service and Support Advocacy (ISSA) for quarterly service monitoring.
⁴ Bogard Service Coordination for supports specific to the Bogard Consent Decree class members.

Source: OAG developed from DHS information.

DHS reduced the number of ISC regions from 17 to 12 for FY20.

DHS did not provide accurate information to the General Assembly.

- ISC services, prior to FY20, had been provided by 17 organizations, mostly not-for-profits. (page 7)
- DHS, prior to issuing the Notice of Funding Opportunity (NOFO), **reduced the number of ISC regions from 17 to 12**. These 12 regions were awarded to 8 ISCs. Digest Exhibit 3 shows the ISC providers in the State prior to FY20. Digest Exhibit 4 shows the ISC providers starting in FY20. (pages 7-9)
- On September 1, 2016, DHS met with all 17 ISCs and informed them of the intent to seek competitive proposals for the delivery of ISC services. **Over 700 days later**, on September 11, 2018, DHS published the NOFO for ISC services. (page 10).
- After the ISC awards were announced, the nine ISCs that did not receive an award experienced a drop in funding or closed completely. (pages 9-10)
- After announcement of winning proposals, four ISCs and a guardian of an individual with developmental disabilities filed suit against DHS in two separate courts. (pages 19-22)
- DHS did not provide accurate information to the General Assembly **on matters relative to the ISC NOFO**. (pages 14-19)

Digest Exhibit 3
ISC AREAS PRIOR TO COMPETITIVE PROCUREMENT OPPORTUNITY
 Period Ended June 30, 2019



Cook Co.

Area	ISC Agency
[Light Teal]	Access Services of Northern Illinois
[Light Blue]	Options & Advocacy
[Red]	Community Alternatives Unlimited
[Pink]	DayOne PACT
[White]	Community Service Options
[Dark Green]	Suburban Access
[Orange]	Service, Inc.
[Light Green]	Community Service Options Rock Island & Mercer Co.
[Grey]	Western Illinois Service Coordination
[Dark Grey]	Livingston County Mental Health Board
[Brown]	Central Illinois Service Access
[Yellow]	Champaign County Regional Planning Commission
[Orange-Yellow]	West Central Service Coordination
[Blue]	Great Rivers Service Coordination
[Purple]	Prairieland Service Coordination, Inc.
[Light Blue-Teal]	DD Services of Metro East
[Light Green-Yellow]	Southern Illinois Case Coordination

Source: OAG developed from DHS information.

Digest Exhibit 4
ISC REGIONS AFTER COMPETITIVE PROCUREMENT OPPORTUNITY
 Fiscal Year Commencing July 1, 2019



Cook Co.

Region	ISC Agency
A	Service, Inc.
B	Community Alternatives Unlimited
C	Community Service Options
D	Suburban Access
E	Service, Inc.
F	Service, Inc.
G	Prairieland Service Coordination, Inc.
H	Champaign County Regional Planning Commission
I	Central Illinois Service Access
J	Prairieland Service Coordination, Inc.
K	Prairieland Service Coordination, Inc.
L	Southern Illinois Case Coordination

Source: OAG developed from DHS information.

Six FY19 ISCs chose **not to submit** proposals for the NOFO. We reached out to all 17 of the FY19 ISCs and asked if they proposed and if not why they did not submit a proposal. The results are presented in Digest Exhibit 5. (pages 10-11)

Digest Exhibit 5 ISC REASONS FOR NOT PROPOSING FOR FY20 PROGRAM	
ISC Agency	Reasons for Not Proposing
Access Services of Northern Illinois	<ul style="list-style-type: none"> • NOFO indicated that we needed to use current program manuals for guidance on expected services – however, all program manuals were in the process of revision and the revisions were not shared prior to proposal submission due date. • Numerous additional program deliverables related to data collection and reporting with no explanation as to the purpose of the deliverables. • NOFO disclosure of no guarantee of the funding amount to be awarded. • No indication of how the changes in the number of ISCs was in the best interest of the people served in the waiver program.
Community Service Options/Rock Island & Mercer Counties	Did not respond to OAG request. Prairieland Services assumed control of the ISC during FY19.
Great Rivers Service Coordination	Did not respond to OAG request.
Livingston County Mental Health Board	<ul style="list-style-type: none"> • No rationale or explanations why they remapped the ISC regions. • Lack of planning for transition with no communication to individuals or families. • Decision on a major change a week before a new administration and legislature. • NOFO would disrupt the existing service delivery system. • Reference to program manuals that are in draft form. • No startup money. • As a county entity would have to go to Board to use county funds to pay new hires. • Each year more expected of ISCs with no commensurate funding. • Changes removed all choice for individuals. • Not enough time to submit proposal and definitely not enough time for transition.
Options and Advocacy	<ul style="list-style-type: none"> • Increase in size of the catchment area.
West Central Service Coordination	<ul style="list-style-type: none"> • Only one visit to ensure individual’s health, safety and well-being. • NOFO did not support choice for the individual. • Compliance with a manual that was not written before bidding. • DDD does not have any manual that tells ISC what is needed. • Refers to maintaining requirements in legislative rules, rules which have not been updated. ISCs have been asked since July 2017 to disregard parts of the legislative rules that contradict part of the federal Waiver Program.
Source: OAG developed from ISC information.	

Planning

While documentation showed that DHS did conduct planning, the planning was inadequate and not always timely. We found that DHS: lacked policies, procedures and administrative rules for grantmaking; developed scoring parameters that contained deficiencies; budgeted two days for evaluation; had potential bias among the evaluation team; asked proposers to propose based on manuals and rules that were not yet developed; and delayed transition activities. Despite these issues, DHS pressed on and conducted a competitive procurement for ISC services, a competitive procurement process that was not required. (page 23)

DHS has stated the competitive selection process for the ISC services was driven by the requirements of the Grant Accountability and Transparency Act (GATA). Our review of documentation and the position of the Department of Healthcare and Family Service (HFS) is that **the DHS position was incorrect – ISC services were exempt from competitive bidding based on the Medicaid exemption to GATA. We asked for, and received, a written opinion, on October 16, 2019, from HFS legal counsel about the position of whether ISC services needed to be competitively procured through a NOFO process.** Despite ample opportunity to do so, DHS never requested a **written opinion** from HFS. On March 5, 2020, the Chief Accountability Officer (CAO) stated that he orally requested for HFS to provide a written determination. The CAO stated he did not receive any written determination from DHS. (pages 24-29)

DHS developed a set of **scoring parameters** for the ISC services NOFO that contained a number of **deficiencies**. These deficiencies may have led to inaccurate assignment of scores given that all eight of the evaluators we spoke with **were conducting their first competitive grant evaluations**. The DDD official that managed the NOFO selection process told us he was not sure the parameters would work, and evaluators were to use their best judgment. He also told us that this was the first NOFO that was done “right” by DDD and that this was the first time DDD was holding proposers accountable. (pages 30-35)

DHS has failed to adopt administrative rules relative to the Grant Accountability and Transparency Act (GATA). During the **839 days that DHS was untimely in adopting rules**, it conducted the NOFO for ISC services, a grant process totaling **over \$38 million** for FY20 and a process that **resulted in some ISCs closing their doors**. (pages 35-38)

DHS was **negligent in planning** the ISC competitive procurement in that it did so **without having policies and procedures in place** to guide the grantmaking process. Not only was the ISC services NOFO subject to this weakness, so too were all the other competitive selections which DHS has conducted. As reported by DHS, it **took no action on the development of policies and procedures until February 2019, after the ISC Selection NOFO was completed**. (pages 38-42)

The DHS evaluation team for the ISC NOFO spent a **marginal amount of time** on the evaluation, and a number of evaluators were concerned about how much time was required for the process. **Only two full days were budgeted** for evaluation even though the proposals had been in DHS’

DHS claimed that it was required to competitively procure ISC grant services.

We found that position to be inaccurate.

DHS scoring parameters contained a number of deficiencies.

DHS conducted the ISC NOFO without having promulgated administrative rules.

DHS had no policies and procedures on how to conduct a NOFO.

DHS budgeted two days for proposal evaluation.

possession for 17 days prior to evaluations beginning. Additionally, it appears that there may have been **bias** in the evaluation team due to working relationships with current ISCs. (pages 42-48)

DHS failed to provide complete and up to date guidance to the ISCs during the ISC NOFO process. At the time the ISC NOFO was published on September 11, 2018, **DHS had neither completed changes to the ISC Manual nor had it completed changes to the CILA Rule**, a procedural manual and administrative rule **DHS was requiring proposers to follow**. (pages 48-51)

We found DHS' planning for the ISC transition not to be as sound as DHS described. We found a number of issues **with items in the transition plan which were not followed**. We also found that the timing of the formation of the DHS formed ISC Transition Advisory Committee was late, and the recommendations from the Committee that could have been useful to the transition process were **too late to be incorporated**. (pages 51-56)

Evaluation

DHS did not comply with all requirements of the Illinois Administrative Code in conducting the ISC Selection NOFO process. While DHS does not have policies and procedures for processing a NOFO, we believe this is no excuse for not complying with documented laws and rules when completing a competitive grant process. Not following all laws and rules also reflects negatively on the procurement process. (pages 58-60)

DHS did not **develop and maintain evaluator meeting minutes** for the three evaluation groups that scored the ISC proposals. While the NOFO detailed that discussions should take place after individual scoring, **none of the discussions were formal, or apparently complete**. Our examination found 97 total instances where the **difference in scoring was 20 points or more** among evaluators. (pages 60-63)

DHS **failed to follow the selection criteria for awarding ISC services** for FY20. Additionally, the DHS practice of not considering past performance of the ISCs in the NOFO process as found during this audit has not been applied to other DHS competitive grant processes. (pages 63-67)

We found that evaluation criteria were not uniformly applied in the ISC NOFO. DHS failed to review whether the evaluation team for the ISC NOFO **followed scoring parameter guidance** when assigning scores. This failure, based on our assessment of the scoring, resulted in **three instances where a different ISC may have been selected**. In two of the three instances the ISCs **went out of business**. This analysis was constructed by re-scoring proposals based on, as noted earlier, a scoring instrument that contained **some** flawed parameters. **These were, however, the parameters used to score proposals**. Given the flawed scoring instrument and other uncertainties with scoring, such as a lack of discussion of scoring differences, we cannot say with absolute certainty which proposer should ultimately have won the award. Overall, we found **274 scoring irregularities** in our review of the DHS documentation for the regions where there was competition in the submission of proposals. Digest Exhibit 6 provides the breakdown of irregularities by ISC Proposal Region. (pages 67-73)

We found that evaluation criteria were not uniformly applied.

We identified 274 scoring irregularities in the DHS evaluation of proposals.

Based on our assessment there were three instances where a different ISC may have been selected.

Two of these ISCs went out of business.

Digest Exhibit 6 SCORING IRREGULARITIES ISC NOFO									
Criteria	Region								Totals
	A	C	E	G	H	I	K	L	
Analysis of Client Needs and Plan for Meeting those Needs	0	0	0	0	1	1	0	0	2
Capability to Provide Service by July 1, 2019	1	0	1	0	0	0	3	0	5
Makeup of the Board	1	2	1	0	1	0	0	0	5
Key Personnel Education	1	0	2	2	2	1	2	2	12
Key Personnel Experience	2	0	2	2	4	1	3	2	16
Agency Years of Experience with Specialty Populations	1	1	1	1	3	1	2	2	12
Potential Conflicts	1	0	1	0	0	0	0	0	2
Salaries and Wages	1	2	1	2	4	2	1	1	14
Fringe Benefits	1	2	1	1	4	2	2	2	15
Travel	2	2	1	1	3	2	1	1	13
Equipment	0	2	0	3	4	2	3	0	14
Supplies	1	2	1	2	4	2	1	1	14
Contractual Service and Subawards	2	2	2	1	2	1	2	1	13
Consultant Services and Expenses	2	2	2	2	4	2	2	1	17
Occupancy-Rent and Utilities	1	2	1	2	4	2	2	2	16
Telecommunications	1	1	1	1	4	2	1	1	12
Training and Education	1	0	1	2	3	2	2	2	13
Direct Administrative Costs	1	2	1	0	4	2	2	1	13
Other or Miscellaneous Costs	1	2	1	1	3	2	1	1	12
Grant Exclusive Line Item	1	1	1	1	1	0	1	1	7
Indirect Costs	1	0	1	0	0	0	0	1	3
Centralized Operating Sites	2	1	1	1	4	2	2	1	14
ADA Accessible Sites	0	1	0	0	0	0	1	0	2
Staffing Strategy	1	1	1	1	2	1	1	1	9
Training Programs	2	1	2	0	1	1	1	2	10
Bilingual or Translator	0	1	0	1	2	2	2	1	9
Totals	28	30	27	27	64	33	38	27	274

Source: OAG developed.

DHS could not provide documentation to show how the Appeals Review Officer determined the validity of appeals from ISCs.

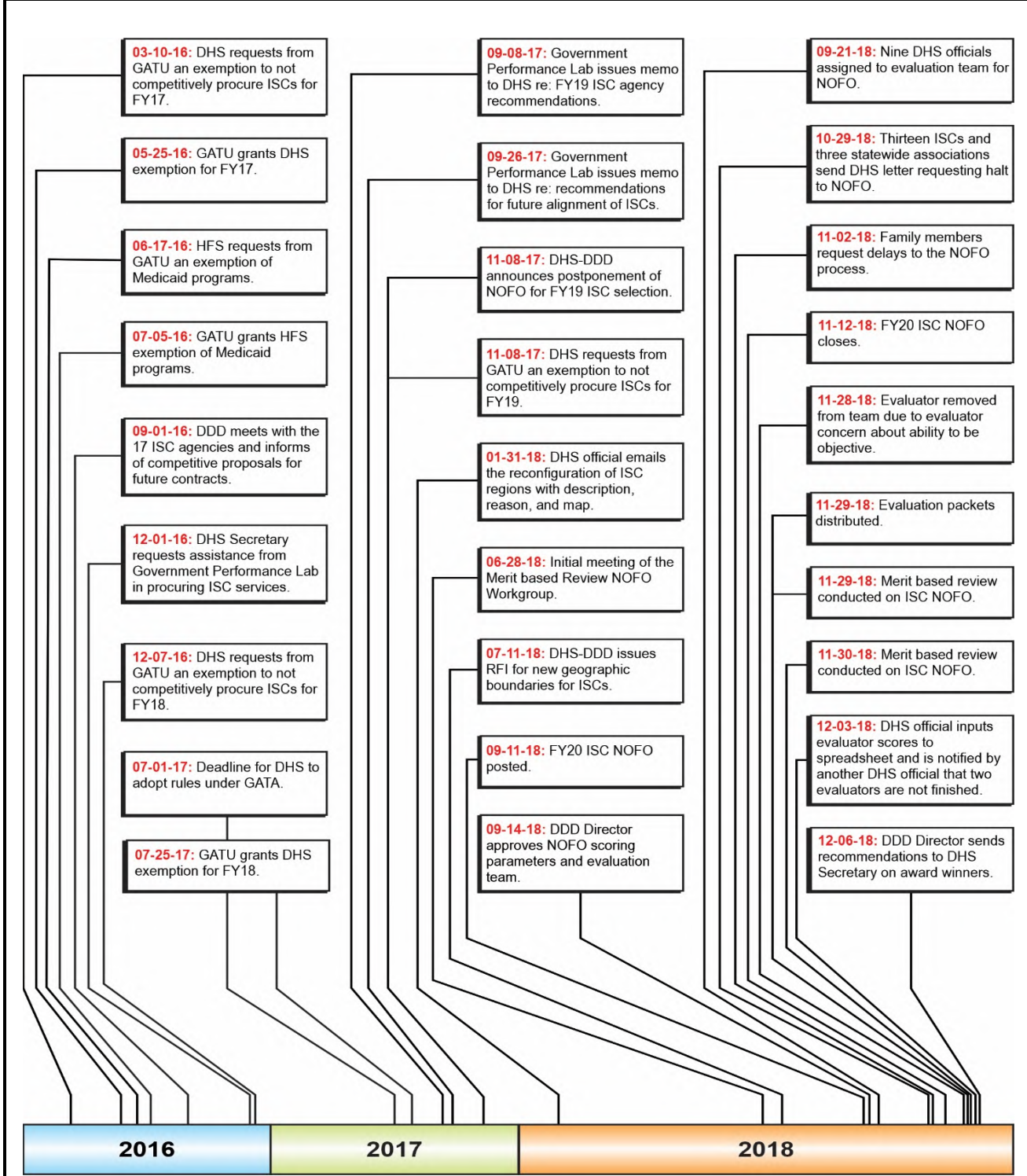
The Appeals Review Officer spent one day reviewing the scoring for the NOFO.

DHS did not maintain documentation to show how appeals to the ISC NOFO selections were determined. Also, as of October 9, 2019, **251 days after the Appeals Review Officer (ARO) dated appeal decisions** in the ISC NOFO procurement, **there was no formal policy for a review officer to follow at DHS.** Finally, while **evaluation scores could not be part of the appeal**, the ARO did review the scoring, but only **for a single day.** (pages 73-76)

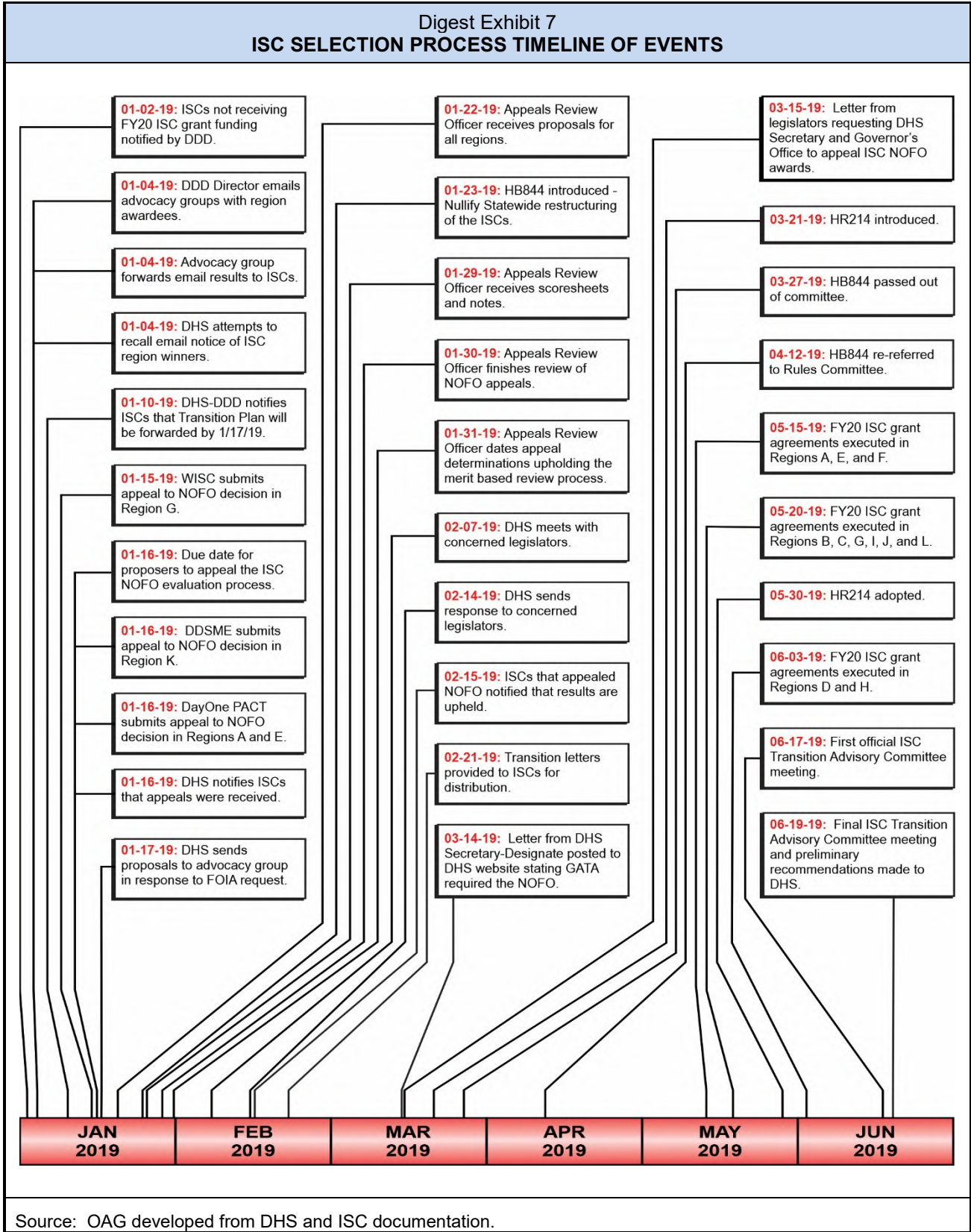
During this audit of the ISC Selection Process we concluded that **the scoring for the competitive grant process was flawed.** However, **proposers are left with no recourse** under current Illinois administrative rules. (pages 76-77)

Digest Exhibit 7 provides a timeline of NOFO activities relevant to the ISC selection process.

Digest Exhibit 7
ISC SELECTION PROCESS TIMELINE OF EVENTS



Source: OAG developed from DHS and ISC documentation.



RECOMMENDATIONS

This audit report contains 13 recommendations directed to the Department of Human Services and a Matter for Consideration for the General Assembly. The Department, in its response stated, *“While IDHS had differences from the OAG regarding some of the claims and statements underlying certain findings, we agreed, across the board, with the principles in the findings, themselves, and we value the OAG’s perspective and insight as detailed in the report.”* Appendix E to the audit report contains the agency responses.

This performance audit was conducted by staff of the Office of the Auditor General.

SIGNED ORIGINAL ON FILE

Joe Butcher
Division Director

This report is transmitted in accordance with Sections 3-14 and 3-15 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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