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.

<table>
<thead>
<tr>
<th>Determination from Resolution</th>
<th>Auditor Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether all aspects of the competitive funding process were conducted in accordance with applicable laws, rules, regulations, and policies.</td>
<td>DHS did not comply with all requirements of the Illinois Administrative Code in conducting the ISC Selection NOFO process. (pages 58-60)</td>
</tr>
<tr>
<td>Whether the evaluative criteria guiding DHS’s selection of ISC agencies were adequate and uniformly applied.</td>
<td>The evaluation criteria were not uniformly applied in the ISC NOFO. (pages 67-73)</td>
</tr>
<tr>
<td>Whether decisions concerning the selection of successful bidding agencies were adequately supported and documented.</td>
<td>DHS failed to follow the selection criteria for awarding ISC services for FY20. (pages 63-67)</td>
</tr>
<tr>
<td>Whether decisions concerning the resolution of protests were adequately supported and documented.</td>
<td>DHS did not maintain documentation to show how protests were determined. (pages 73-76)</td>
</tr>
<tr>
<td>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.</td>
<td>While documentation showed that DHS did conduct planning, the planning was inadequate and not always timely. (page 23)</td>
</tr>
</tbody>
</table>

Source: OAG assessment of the audit determinations contained in House Resolution Number 214.

DHS oversees 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

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

**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.

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*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

Source: OAG developed from DHS information.
Digest Exhibit 4
ISC REGIONS AFTER COMPETITIVE PROCUREMENT OPPORTUNITY
Fiscal Year Commencing July 1, 2019

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)

<table>
<thead>
<tr>
<th>ISC Agency</th>
<th>Reasons for Not Proposing</th>
</tr>
</thead>
</table>
| Access Services of Northern Illinois                 | • 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                 | • 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                                   | • Increase in size of the catchment area.                                                                                                                                                                                    |
| West Central Service Coordination                      | • 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 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.

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’
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.

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 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 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 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)
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.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>03-10-16</td>
<td>DHS requests from GATU an exemption to not competitively procure ISCs for FY17.</td>
</tr>
<tr>
<td>05-25-16</td>
<td>GATU grants DHS exemption for FY17.</td>
</tr>
<tr>
<td>06-17-16</td>
<td>HFS requests from GATU an exemption of Medicaid programs.</td>
</tr>
<tr>
<td>07-05-16</td>
<td>GATU grants HFS exemption of Medicaid programs.</td>
</tr>
<tr>
<td>09-01-16</td>
<td>DDD meets with the 17 ISC agencies and informs of competitive proposals for future contracts.</td>
</tr>
<tr>
<td>12-01-16</td>
<td>DHS Secretary requests assistance from Government Performance Lab in procuring ISC services.</td>
</tr>
<tr>
<td>12-07-16</td>
<td>DHS requests from GATU an exemption to not competitively procure ISCs for FY18.</td>
</tr>
<tr>
<td>07-01-17</td>
<td>Deadline for DHS to adopt rules under GATA.</td>
</tr>
<tr>
<td>07-25-17</td>
<td>GATU grants DHS exemption for FY18.</td>
</tr>
<tr>
<td>09-08-17</td>
<td>Government Performance Lab issues memo to DHS re: FY19 ISC agency recommendations.</td>
</tr>
<tr>
<td>09-28-17</td>
<td>Government Performance Lab issues memo to DHS re: recommendations for future alignment of ISCs.</td>
</tr>
<tr>
<td>09-28-17</td>
<td>DHS-DDD announces postponement of NOFO for FY19 ISC selection.</td>
</tr>
<tr>
<td>11-08-17</td>
<td>DHS requests from GATU an exemption to not competitively procure ISCs for FY10.</td>
</tr>
<tr>
<td>01-31-18</td>
<td>DHS official emails the reconfiguration of ISC regions with description, reason, and map.</td>
</tr>
<tr>
<td>06-28-18</td>
<td>Initial meeting of the Merit based Review NOFO Workgroup.</td>
</tr>
<tr>
<td>07-11-18</td>
<td>DHS-DDD issues RFI for new geographic boundaries for ISCs.</td>
</tr>
<tr>
<td>09-11-18</td>
<td>FY20 ISC NOFO posted.</td>
</tr>
<tr>
<td>09-14-18</td>
<td>DDD Director approves NOFO scoring parameters and evaluation team.</td>
</tr>
<tr>
<td>09-21-18</td>
<td>Nine DHS officials assigned to evaluation team for NOFO.</td>
</tr>
<tr>
<td>10-29-18</td>
<td>Thirteen ISCs and three statewide associations send DHS letter requesting halt to NOFO.</td>
</tr>
<tr>
<td>11-02-18</td>
<td>Family members request delays to the NOFO process.</td>
</tr>
<tr>
<td>11-12-18</td>
<td>FY20 ISC NOFO closes.</td>
</tr>
<tr>
<td>11-28-18</td>
<td>Evaluator removed from team due to evaluator concern about ability to be objective.</td>
</tr>
<tr>
<td>11-29-18</td>
<td>Evaluation packets distributed.</td>
</tr>
<tr>
<td>11-29-18</td>
<td>Merit based review conducted on ISC NOFO.</td>
</tr>
<tr>
<td>11-30-18</td>
<td>Merit based review conducted on ISC NOFO.</td>
</tr>
<tr>
<td>12-03-18</td>
<td>DHS official inputs evaluator scores to spreadsheet and is notified by another DHS official that two evaluators are not finished.</td>
</tr>
<tr>
<td>12-06-18</td>
<td>DDD Director sends recommendations to DHS Secretary on award winners.</td>
</tr>
</tbody>
</table>

Source: OAG developed from DHS and ISC documentation.
Digest Exhibit 7
ISC SELECTION PROCESS TIMELINE OF EVENTS

01-02-19: ISC not receiving
FY20 ISC grant funding
notified by DDD.

01-04-19: DDD Director emails
advocacy groups with region
awardees.

01-04-19: Advocacy group
forwards email results to ISCs.

01-04-19: DHS attempts to
call email notice of ISC
region winners.

01-10-19: DHS-DDD notifies
ISCs that Transition Plan
will be forwarded by 1/17/19.

01-15-19: WISC submits
appeal to NOFO decision in
Region G.

01-16-19: Due date for
proposers to appeal the ISC
NOFO evaluation process.

01-16-19: DDSME submits
appeal to NOFO decision in
Region K.

01-16-19: DayOne PACT
submits appeal to NOFO
decision in Regions A and E.

01-16-19: DHS notifies ISCs
that appeals were received.

01-17-19: DHS sends
proposals to advocacy group
in response to FOIA request.

01-22-19: Appeals Review
Officer receives proposals for
all regions.

01-23-19: HB844 introduced
- Nullify Statewide restructuring
of the ISCs.

01-29-19: Appeals Review
Officer receives scoresheets
and notes.

01-30-19: Appeals Review
Officer finishes review of
NOFO appeals.

01-31-19: Appeals Review
Officer dates appeal
determinations upholding the
merit based review process.

02-07-19: DHS meets with
conscemed legislators.

02-14-19: DHS sends
response to concerned
legislators.

02-15-19: ISCs that appealed
NOFO notified that results are
upheld.

02-21-19: Transition letters
provided to ISCs for
distribution.

03-14-19: Letter from DHS
Secretary-Designate posted to
DHS website stating QATA
required the NOFO.

03-15-18: Letter from
legislators requesting DHS
Secretary and Governor’s
Office to appeal ISC NOFO
awards.

03-21-19: HR214 introduced.

03-27-19: HB844 passed out
of committee.

04-12-19: HB844 re-referred
to Rules Committee.

05-15-19: FY20 ISC grant
agreements executed in
Regions A, E, and F.

05-20-19: FY20 ISC grant
agreements executed in
Regions B, C, G, I, J, and L.

05-30-19: HR214 adopted.

06-03-19: FY20 ISC grant
agreements executed in
Regions D and H.

06-17-19: First official ISC
Transition Advisory Committee
meeting.

06-19-19: Final ISC Transition
Advisory Committee meeting and
preliminary recommendations made to
DHS.

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

FJM:MJM