

# REPORT DIGEST

## PERFORMANCE AUDIT OF

### FUNDING PROVIDED BY STATE AGENCIES TO HEARTLAND HUMAN SERVICES

Released: May 2009



State of Illinois  
Office of the Auditor General

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## SYNOPSIS

House Resolution Number 1307 directed the Office of the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to Heartland Human Services (Heartland). Heartland is a non-profit corporation in Effingham, Illinois that provides outpatient services and 24-hour residential services to adults with mental illness. Our audit concluded that:

- During FY06 – FY08, State agencies provided \$7.4 million in funding to Heartland. The majority of the State funds, \$6.3 million, were provided by the Department of Human Services (DHS), mainly from the Division of Mental Health.
- In FY08, services provided at Heartland were affected by a labor strike. Most affected were DHS funded programs for the mental health division's CILA and Medicaid programs, the alcoholism and substance abuse division's Global program, and the rehabilitative services division's Supported and Extended Employment programs.
- Although the strike was ongoing at the end of the audit, Heartland had resumed services for all programs except for Supported and Extended Employment.
- All State agencies providing funding to Heartland conducted monitoring of Heartland during FY07 and/or FY08.

The audit identified several **Statewide** issues, such as:

- DHS allowed commingling of Medicaid funds with grant funds, which along with limitations in DHS reporting requirements, made it difficult to track and account for funding received by providers.
- Due to the process used by DHS to reconcile mental health funding, providers have been allowed to keep funding that was not reported as expended since FY05.
- DHS did not ensure that mental health providers reported interest earned on grant funds.
- The Illinois Department of Public Health did not require reporting of CILA employees to the Health Care Worker Registry as required by State law.

Issues specific to Heartland Human Services include:

- Based on financial reports, Heartland did not spend 80 percent of its Crisis Services funding on salaries and benefits as required by the grant agreement.
- Heartland allocated \$145,492 in revenue to the Crisis Services program in FY08 (\$128,683 in DHS funding and \$16,809 from non-State revenue), but only reported \$82,507 allowable in expenses for the program.
- Heartland employees need to be more specific when documenting services provided in the case notes.



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## REPORT CONCLUSIONS

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Heartland Human Services (Heartland) is a non-profit corporation located in Effingham, Illinois. Heartland provides outpatient services and provides 24-hour residential services to adults suffering from mental illness at three community integrated living arrangements (CILAs). In January 2006, some of Heartland's employees voted to join the American Federation of State, County and Municipal Employees (AFSCME). On July 2, 2007, 35 of Heartland's 54 employees went on strike. Shortly after the strike began, Heartland began to hire new staff to operate some of its programs. The strike had not been resolved by the end of the audit.

We reviewed the personnel files for all 39 employees that were hired (between July 2007 and July 2008) after the strike began. Heartland's personnel files were thorough, and contained the appropriate documentation such as proof of a driver's license and insurance, transcripts or diploma, background checks, position descriptions, interview notes, required trainings, and other required professional designations or certificates. Based on our review, all employees hired by Heartland Human Services after the strike began met the educational and experience qualifications required by the position descriptions.

During FY06, FY07, and FY08, State agencies provided \$7.4 million in funding to Heartland Human Services. The majority of the State funds provided to Heartland, \$6.3 million, were provided by the Department of Human Services (DHS) mainly from the Division of Mental Health to administer community based programs.

The program areas affected by the strike at Heartland were those funded by DHS' Division of Mental Health (DMH), Division of Alcoholism and Substance Abuse (DASA), and Division of Rehabilitative Services (DRS). Heartland provides outpatient counseling for people of all ages that includes individual, marital, family or group counseling. In addition, Heartland provides 24-hour residential care to adults suffering from persistent mental illness. Services provided include training in life skills, community integration, and medication management.

Heartland's funding from DMH decreased from \$2,364,960 in FY07 to \$1,336,821 in FY08. DHS' mental health grant funding for Heartland (excluding the fee-for-service funding) remained fairly constant between FY07 and FY08: \$664,686 and \$635,417, respectively. However, fee-for-service funding decreased significantly from \$1,700,074 in FY07 to \$701,404 in FY08, primarily because Heartland was unable to provide certain services for a portion of FY08 due to the strike. Medicaid funding

decreased from \$1,511,124 in FY07 to \$621,328 in FY08. Non-Medicaid funding decreased from \$188,950 in FY07 to \$80,076 in FY08. The combined reduction in Medicaid and Non-Medicaid in FY08 was \$998,670.

Funding from DASA decreased from \$143,142 in FY07 to \$10,730 in FY08. DASA administers and monitors funding to a network of community-based substance abuse treatment programs. These programs provide a full continuum of treatment including outpatient and residential programs for persons addicted to alcohol and other drugs. Persons with specialized needs such as pregnant women, women with children, and injecting drug users are given priority. Heartland's contract with DASA includes two programs: Global and Special Project. The Global program was affected significantly by the strike.

Funding from DRS decreased from \$74,569 in FY07 to \$0 in FY08. DRS oversees programs serving persons with disabilities that include vocational training, home services, educational services, advocacy information and referral. Also provided are a variety of services for persons who are blind, visually impaired, deaf or hard of hearing. Due to the strike, there were no supported employment services provided during FY08.

DHS continues to work toward converting funding provided to mental health providers from a grant based system to a fee-for-service basis. The conversion that began in FY05 was not completed by the end of this audit. The agreement between DHS and Heartland lists the method of payment as "Grants" for all 10 mental health programs funded by DHS in FY08. For the 10 mental health programs funded in FY08:

- 8 capacity grant programs provided advance funding to Heartland which is primarily to be used for **expenses**, such as payroll, facility expenses, etc. Most grants have requirements on how such funds are to be used – such as 80 percent of the grant must go toward personnel costs; and
- 2 grant programs (MH Medicaid and MH Non-Medicaid) are treated as "fee-for-service" programs by DHS. Funds are advanced to Heartland for these two programs, and Heartland is required to submit bills on at least a monthly basis for billable services funded by the Medicaid and Non-Medicaid contract amounts. However, even though Heartland submits bills to DHS for the services it provides, Heartland is not reimbursed or funded based on these billings. Rather, due to the reconciliation method used by DHS, which is discussed later,

DHS has generally been allowing providers to retain any excess Medicaid funding which may not be supported by billings.

### **Statewide Issues**

During our review of Heartland's use of State funds, as well as the State's monitoring of Heartland's use of such funds, we identified several **Statewide** issues. These issues not only impact Heartland, but likely impact other DHS providers as well. These issues not only result in noncompliance with administrative rules and grant agreements with providers, but also limit DHS' oversight, as well as the transparency, of the providers' use of State funds. DHS officials stated that many of the Statewide issues discussed below are the result of the Department's attempt to comply with the provisions of an FY05 Memorandum of Understanding, which dealt with changing the way mental health providers are funded from a grant method to a fee-for-service method.

#### **1. DHS did not provide adequate guidance to providers in order to complete their Consolidated Financial Reports.**

Due to a lack of guidance by DHS, Heartland did not allocate expenses directly to **each** mental health program specified in its agreement. As a result, it is not possible to determine whether expenses are being allocated to the DHS capacity grant, Medicaid, or Non-Medicaid portion of Heartland's funding. Heartland's Medicaid, Non-Medicaid and grant funds are lumped together to fund the mental health services it provides. This commingling of funding types, along with the limitations in DHS reporting requirements, makes it difficult to track and account for the funding received by providers.

Based on our discussions with Heartland, as well as DHS officials, much of the difficulty in tracking and reporting the use of funding from DHS relates to the way the Medicaid and Non-Medicaid funding is allocated. DHS allows providers to use Medicaid and Non-Medicaid funding not only for the specific Medicaid and Non-Medicaid grant program, but also to pay for services provided in other capacity grant programs, such as CILA or Crisis Services. In FY08, Heartland allocated Medicaid and Non-Medicaid grant funds among four of its DHS grant programs (Crisis Services, MH CILA, Gero-Psychiatric Services, and Medicaid/Non-Medicaid) based on the actual services it provided.

Since DHS does not require mental health providers to submit expenditure reports that document how grant funds were expended, DHS does not have any specific support for how the grant funds were expended. For example, many of the grants require that at least 80

percent of the grant shall be used to support salaries and benefits. Without these grant activity reports, it is unclear how DHS monitors this requirement.

Since financial reporting to DHS was not done by the program titles that were listed in the grant agreement, it is not possible for DHS to determine whether Heartland met performance and allowable cost requirements by program as required by the grant agreement. In order to determine how DHS monitors compliance with contracts and grant agreements, DHS was asked how it determines what is spent by program. A DHS official agreed that it is not possible to track spending by program. This appears to be a Statewide issue and is something that is not being monitored adequately by DHS.

**2. Due to the way DHS reconciles mental health grant funding, providers have been allowed to keep funding for programs that was not reported as expended.**

Due to the way DHS' Office of Contract Administration reconciles the funding DHS provided to mental health providers, providers such as Heartland have been allowed to keep mental health funding that was not reported as expended. Since FY05, DHS' reconciling of funding provided to mental health providers has not met the requirements of the Illinois Administrative Code or the grant agreements. Additionally, DHS continues to reconcile based on special instructions that were used for completing the FY05 grant report. Since FY05, the Department of Human Services/Division of Mental Health has been working on converting mental health providers from being funded through grants to being funded by fee-for-service. Although DHS/DMH has been working on the conversion since FY05, the conversion has not been implemented as of the end of the audit.

As a result, in FY08 several of Heartland's programs (Client Transition Subsidy, Psychiatric Medications, and SASS Flex) had expenditures that were less than the grant funds received. In these instances, Heartland was able to keep the funding due to DHS' reconciliation process that has been used since FY05.

In the time period between fiscal years 2005 through 2007, Heartland had "unearned income" from State moneys totaling \$490,883. While it is clearly not the intent of DHS to recoup all of the "unearned income" providers have realized as a result of the conversion to fee-for-service funding, this method of reconciliation may be resulting in providers retaining funding which is truly excess, and which has not

been spent in accordance with the grant agreement, and which should be returned to the State.

**3. DHS did not ensure that mental health providers were reporting interest earned on its grants.**

Heartland's FY07 and FY08 reconciliation documentation provided by DHS' Office of Contract Administration did not show that Heartland earned any interest on the \$3,701,781 in funding received for mental health programs over the two year period. The Grant Funds Recovery Act requires that interest earned on grant funds held by a grantee shall become part of the grant principal. Additionally, DASA and DRS did not require Heartland to calculate interest earned and repay interest earned on unspent advance funds.

**4. The Illinois Department of Public Health and DHS did not require reporting to the Health Care Worker Registry.**

During our review of Heartland, we determined that the Illinois Department of Public Health (IDPH) does not require community integrated living arrangements licensed by DHS to report the results of background checks to the Health Care Worker Registry, as required by the Health Care Worker Background Check Act (225 ILCS 46 *et. seq.*).

**Heartland Specific Issues**

While Heartland was generally in compliance with its grant agreements, the following issues were identified:

- Heartland's use of Crisis Services program funding did not comply with its grant agreement. Heartland received an \$85,790 grant for Crisis Services in FY08. The grant required that 80 percent of the funding (or \$68,632) be used for salaries and benefits. Based on Heartland's FY08 CFR, Heartland only spent \$58,679 on salaries and benefits allocated to the Crisis Services program, which is 68 percent of the grant amount.
- Heartland allocated \$145,492 in revenue to the Crisis Services program in FY08 (\$128,683 in DHS funding and \$16,809 from non-State revenue), but only reported \$82,507 allowable in expenses for the program. The excess revenue allocated to the Crisis Services program resulted from Heartland applying fee-for-service funding for the services it provided for this program. While DHS' method of funding forces mental health providers to allocate fee-for-services billings to its grant

programs, the grant agreement requires that the fee-for-service funding should not be submitted for the same services and activities funded by the grant.

- Based on a review of Heartland's case notes, we determined that Heartland employees need to be more specific when documenting services provided to allow reviewers the ability to ensure entries are not duplicated.
- From a sample of expenditures from FY07 and FY08, Heartland allocated \$6,523 in expenses to State programs that were not necessary or related to Heartland providing its State funded program services as outlined in 89 Ill. Adm. Code 509.20, and Heartland did not have adequate documentation for a few of the purchases that were reviewed.

### **State Agency Monitoring Activities**

The Mental Health Program Manual and grant agreement have very few monitoring requirements. Both contain a list of activities that the Department's monitoring "may consist of". However, none of the activities are required and nothing delineates the frequency of the reviews to be conducted. Although documented requirements for monitoring were limited, the Division of Mental Health provided documentation of numerous monitoring activities during fiscal years 2007 and 2008. From our review of the documentation provided by DMH, it appears that DMH was in frequent contact with Heartland and monitored the strike as necessary. According to a DMH official, Heartland was in compliance with all notifications and reporting requirements.

DHS' Bureau of Accreditation, Licensure, and Certification (BALC) conducted a site visit from October 6 through October 9, 2008, of the CILAs and reviewed a sample of current client records on file. Heartland received two separate scores on the BALC Survey Report Form. Heartland received a 97 percent for the CILA portion and all three CILA sites were visited. Heartland scored 75 percent on the Medicaid Community Mental Health Services portion. According to a BALC official, these scores are average in comparison to providers similar to Heartland.

DHS' Division of Alcoholism and Substance Abuse and Heartland exchanged numerous e-mails relating to the strike and Heartland's ability to provide DASA services. The e-mails included a notice by Heartland on June 28, 2007 of the impending strike. The e-mail was from Heartland's Executive Director and stated that she had been notified that the strike would begin on July 2, 2007 at 8:15am.

DASA performed a post-payment audit of Medicaid and grant/fee-for-service billings on June 16, 2008, for services provided during FY07. DASA also performed a post-payment audit of Heartland's Alcoholism and Substance Abuse Treatment and/or Intervention Services program(s) on November 1 and 2, 2007. This audit covered FY06 billings. DASA identified \$674 in billings subject to recoupment.

The Division of Rehabilitative Services' Procedures Manual requires monitoring of programs through monthly performance monitoring, site visits, billing reviews, and group billing reviews using random sampling. According to DRS officials, monthly performance monitoring is conducted by reviewing the Group Billing Sheets that are submitted by Heartland monthly. DHS provided a January 2007 Group Billing review in which the reviewer found that the services are well documented and noted that they had no concerns. A site visit was conducted in April 2008. However, since no services were provided and no funding was expended by Heartland, there was nothing to review.

DHS' Division of Community Health and Prevention (DCHP) monitors Heartland's Addiction Prevention Services by requiring Heartland to submit Annual Work Plans and Annual and Semi-Annual Evaluation Progress Reports and by requiring quarterly reporting of service data. In addition, DHS conducted a site visit of Heartland on November 13, 2007. The site visit had no findings and required no action by Heartland.

The Department of Public Health, the Department of Healthcare and Family Services (HFS), the Department of Children and Family Services (DCFS), and the Midland Area Agency on Aging (for the Department on Aging) all conducted monitoring of Heartland during the audit period.

IDPH provides Heartland Human Services with two annual contracts (Ryan White and Housing Opportunities for Persons with AIDS (HOPWA)) that are used for support services for persons and families with HIV disease. Based on our review, it appears that the strike had little effect on the IDPH programs. According to IDPH officials, IDPH was in contact with Heartland during the strike, and on March 13, 2008, IDPH conducted a site visit finding that files were 97 percent correct which was rated by IDPH as "Excellent."

Monitoring of HFS' Screening, Assessment & Support Services (SASS) program was conducted for both FY06 and FY07. On April 14, 2008, the FY07 SASS Program Review was conducted to assess Heartland's compliance with the requirements identified in the SASS Request for Proposal and the Handbook for Providers of Screening,

Assessment & Support Services. The review gave Heartland high marks in the areas of Administrative Compliance and Client Transfers; however, Heartland received low marks in areas of Clinical Record – Community Stabilization and Clinical Record – Hospital. Heartland received an aggregate score of 71.8 percent compliant. This was an improvement from the 56 percent level of compliance from the FY06 review.

DCFS had a Medicaid Implementation Review of Heartland done in 2007. The review contained suggestions for improvement for Heartland. The issues identified in the report appeared to be related to clearly documenting patient need based on the problems identified in the evaluation. Heartland noted a 2008 review was not conducted.

The November 2007 review was conducted by the Midland Area Agency on Aging, which passed on funding from the Department on Aging to Heartland. The only area identified in the review that Heartland needed to address was that a required Caregiver Assessment was not in the file for the GAP Filling Services case that was reviewed. Within a week, Heartland followed up with the client and the Assessment was completed. After the review, Midland's correspondence to Heartland commended them on the Caregiver program and noted that the files were in order and were easy to follow.

Audit testing was performed on randomly selected billings for IDPH, HFS, and DCFS. The IDPH files were reviewed for proof of client eligibility, and for verification of payee name, client number, and amount. For HFS SASS billings, we reviewed the client name, service date and case notes in Heartland's electronic case files against data provided by DHS to ensure the services were provided. We also tested for duplicate bills for both SASS and Physician Services billings. We reviewed Heartland's electronic client data to verify client name, service date, service duration, type of therapy and case notes for DCFS billings. No exceptions were noted for any billings tested.

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## **BACKGROUND**

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House Resolution Number 1307 directs the Office of the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to Heartland Human Services under contracts or grant agreements in FY07 and FY08. The audit is to include:

1. the purposes for which State moneys were provided to Heartland Human Services, for each State agency and for each amount transferred;

2. the nature and extent of monitoring by State agencies of how Heartland Human Services used the State-provided moneys;
3. the actual use of State moneys by Heartland Human Services;
4. whether, through a review of available documentation, Heartland Human Services has met or is meeting the purposes for which State moneys were provided, with specific information concerning Heartland Human Services' staffing levels and its compensation of management employees; and
5. whether Heartland Human Services is in compliance with applicable laws, regulations, contracts, and grant agreements pertaining to Heartland's receipt of State moneys. (page 7)

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## **HEARTLAND HUMAN SERVICES**

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Heartland Human Services is a non-profit corporation established in 1968 to provide mental health services and addiction treatment. Heartland Human Services is located in Effingham and consists of a main location where the administrative offices are located and where outpatient services are provided. Heartland also provides 24-hour residential services to adults suffering from mental illness at three CILAs. (pages 7, 8)

### **Labor Strike by Heartland Employees**

In January 2006, some of Heartland's employees voted to join the American Federation of State, County and Municipal Employees. Heartland and AFSCME negotiated for more than a year before the Heartland employees went on strike on July 2, 2007. According to DHS officials, Heartland was compliant with providing DHS with notice of the strike. The strike had not been resolved as of the end of the audit.

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**Heartland and AFSCME negotiated for more than a year before the Heartland employees went on strike on July 2, 2007.**

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According to a Heartland official, the Heartland employees voted to join AFSCME after Heartland made changes to its personnel policies. The official noted that changes in personnel policies were made due to the State's decision to convert many of Heartland's funding sources from capacity grants to reimbursement by fee-for-service. Ultimately, Heartland increased the work week from 35 hours to 40 hours, informed employees that their productivity levels would be measured, and decreased their time-off package. (pages 8, 9)

### **Heartland's Staffing Levels**

Since 16 of the 20 Residential Case Managers went on strike, Heartland placed all 20 CILA residents from its three facilities into other facilities, other CILAs, or with family. By the end of September 2007,

Heartland employed five Residential Case Managers and seven residents were moved back into the CILAs. As Heartland added additional staff, the CILA population increased to 19 by February 4, 2008. Therefore, Heartland’s CILA population was nearly back to the pre-strike level of 20 on February 4, 2008. The population that was moved back into the CILAs included 17 of the original 20 CILA residents that were moved due to the strike.

Digest Exhibit 1 shows the total number of filled positions at Heartland by month for the positions that went on strike in July 2007. (page 9)

Digest Exhibit 1 NUMBER OF FILLED POSITIONS BY MONTH IN POSITIONS THAT WENT ON STRIKE ON JULY 2, 2007														
Heartland Position Title	June 2007	July 2007	Aug. 2007	Sept. 2007	Oct. 2007	Nov. 2007	Dec. 2007	Jan. 2008	Feb. 2008	March 2008	April 2008	May 2008	June 2008	July 2008
Residential Case Manager (16)	20	3	2	5	6	11	11	18	20	20	19	17	18	19
Case Manager (3)	3	0	0	2	2	3	4	4	4	4	4	3	3	2
Therapist (4)	4	0	1	2	2	2	2	2	2	3	3	3	3	3
Job Coach (2)	2	0	0	0	0	0	0	0	0	0	0	0	0	0
Nurse Case Manager (1)	1	0	0	0	1	1	1	1	1	1	1	1	1	1
Day Treatment Coordinator (1)	1	0	0	0	0	1	1	1	1	1	1	1	1	0
Customer Service Rep (1)	2	1	1	1	1	1	1	2	2	2	2	2	2	2
Maintenance Specialist (1)	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Ryan White Case Manager (1)	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Outpatient Case Manager (1)	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Records Clerk (1)	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Addictions Counselor (2)	2	0	0	0	0	0	0	0	0	0	0	0	0	0
Secretary (1)	1	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>40</b>	<b>5</b>	<b>5</b>	<b>11</b>	<b>13</b>	<b>20</b>	<b>21</b>	<b>29</b>	<b>31</b>	<b>32</b>	<b>31</b>	<b>28</b>	<b>29</b>	<b>28</b>

Note: Numbers in parentheses indicate the number of employees with that position title that went on strike.  
Source: Heartland Human Services.

**Personnel Testing**

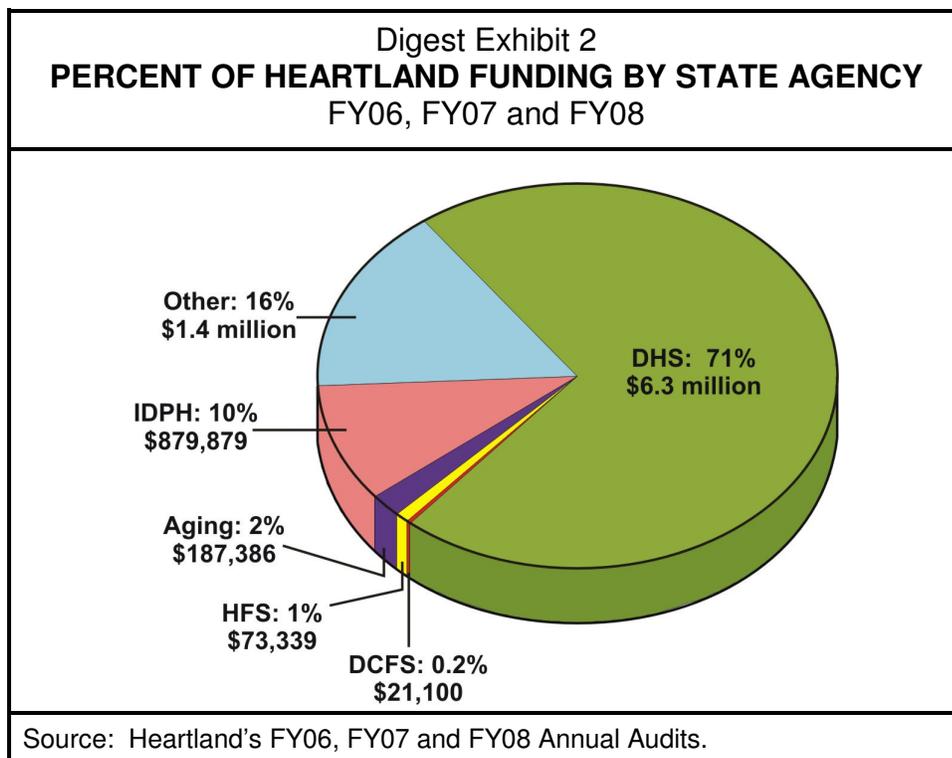
In FY08, Heartland hired a total of 39 employees. Many of them were to replace striking workers. We reviewed the personnel files for all 39 employees that were hired (between July 2007 and July 2008) after the strike began. Heartland Human Services hired 25 Residential Case Managers, which accounted for 64 percent of the new hires. Heartland’s personnel files were thorough and contained the appropriate documentation such as proof of a driver’s license and insurance,

**Heartland’s personnel files were thorough and contained the appropriate documentation.**

transcripts or diploma, background checks, position descriptions, interview notes, required trainings, and other required professional designations or certificates. Based on our review, all employees hired by Heartland Human Services after the strike met the educational and experience qualifications required by the position descriptions. (page 10)

**PURPOSE OF STATE FUNDING PROVIDED**

During fiscal years 2006, 2007, and 2008, Heartland’s total funding from all sources was \$8.9 million. As seen in Digest Exhibit 2, in fiscal years 2006, 2007, and 2008, Heartland received 84 percent (\$7.4 million) of its total funding from five State agencies: Human Services; Healthcare and Family Services; Children and Family Services; Aging; and Public Health. Not all of the funding was received through contracts or grants directly from State agencies. The Department on Aging provided funding to Heartland through the Midland Area Agency on Aging.



DHS funding accounted for 71 percent of Heartland’s total funding from fiscal years 2006, 2007, and 2008. IDPH provided Heartland 10 percent of its funding over the three year period. Heartland also received 16 percent of its funding from sources other than State agencies. (page 11)

**DHS funding accounted for 71 percent of Heartland’s total funding from fiscal years 2006, 2007, and 2008.**

### **Purpose of Department of Human Services Funding**

DHS provides Heartland Human Services with funding to administer community based programs that provide disability and behavioral health services to residents of Effingham County. DHS administers one contract annually divided among four divisions:

**Division of Mental Health:** DMH provides funding to Heartland for outpatient counseling for people of all ages that includes individual, marital, family or group counseling. In addition, Heartland provides 24-hour residential care to adults suffering from persistent mental illness. Services provided include training in life skills, community integration, and medication management. In FY08, Heartland received funding for the following Mental Health programs: Client Transition Subsidy, Crisis Services, Gero-Psychiatric Services, CILA, Medicaid, Non-Medicaid, Psychiatric Medications, Psychiatric Services in MHC, SASS Flex, and Special Projects.

**Division of Alcoholism and Substance Abuse:** DASA administers and monitors funding to a network of community-based substance abuse treatment programs. These programs provide a full continuum of treatment including outpatient and residential programs for persons addicted to alcohol and other drugs. Persons with specialized needs such as pregnant women, women with children, and injecting drug users are given priority. Heartland's contract with DASA includes two programs: Global and a Special Project.

**Division of Rehabilitative Services:** DRS oversees programs serving persons with disabilities that include vocational training, home services, educational services, advocacy information and referral. Also provided are a variety of services for persons who are blind, visually impaired, deaf or hard of hearing. Heartland's contract with DRS includes both Supported and Extended Employment.

**Division of Community Health and Prevention:** DCHP provides Heartland with funding for Addiction Prevention Comprehensive. The goal of this program is to reduce alcohol, tobacco, and other drug use among Illinois youth. These measures target youth ages 10-17 or their families, schools, and communities. (pages 19-23)

### **Purpose of Department of Public Health Funding**

The Illinois Department of Public Health provided Heartland Human Services with two annual contracts (Ryan White and Housing Opportunities for Persons with AIDS (HOPWA)) that were used for support services for persons and families with HIV disease. Heartland

Human Services acted as the lead agent for the Effingham County HIV Care Consortium. (pages 24, 25)

### **Purpose of Department of Healthcare and Family Services Funding**

On a fee-for-service basis, the Department of Healthcare and Family Services funds Heartland through the Screening, Assessment and Support Services (SASS) program to conduct pre-admission psychiatric hospitalization screenings to children and youth who are at risk of inpatient psychiatric hospitalization in Effingham County. HFS also pays Heartland for physician services provided by the Medical Director. (page 25)

### **Purpose of Department of Children and Family Services Funding**

Heartland Human Services receives funding to administer counseling to children and families who have open cases with DCFS and who are approved for referral by designated DCFS staff. The services include individual adult, child and adolescent counseling, marital counseling and group counseling. (page 26)

### **Purpose of Department on Aging Funding**

Heartland receives funding for Caregiver Support Services and Gap Filling Services for Clay, Effingham, Fayette, Jefferson, and Marion counties. These services include information through local library resource centers, education, consultation, and outreach to family caregivers, assessments for caregiver respite, and caregiver support groups. Gap Filling Services provide funding for emergency situations to support caregivers for the purpose of maintaining older individuals in their homes. This includes funding for utilities, medications, and repairs to make homes accessible. (pages 26, 27)

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## **PROGRAMS AFFECTED BY THE STRIKE AT HEARTLAND**

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Services affected by the strike at Heartland were programs provided by the Department of Human Services. The services provided for Aging, DCFS, and IDPH programs were not affected.

Heartland's funding from DMH decreased from \$2,364,960 in FY07 to \$1,336,821 in FY08. DMH grant funding (excluding the fee-for-service funding) remained fairly constant between FY07 and FY08: \$664,686 and \$635,417, respectively. However, fee-for-service funding decreased significantly from \$1,700,074 in FY07 to \$701,404 in FY08,

primarily because Heartland was unable to provide certain services for a portion of FY08 due to the strike. Medicaid funding decreased from \$1,511,124 in FY07 to \$621,328 in FY08. Non-Medicaid funding decreased from \$188,950 in FY07 to \$80,076 in FY08. The combined reduction in Medicaid and Non-Medicaid in FY08 was \$998,670.

According to documentation provided by DHS, in September 2007, more than two months after the strike began, Heartland's Executive Director proposed to DMH that payments be "suspended" until Heartland caught up to where they would be meeting their goals. As a result of this request, the routine monthly funding for three programs (MH CILA, MH Medicaid, and MH Non-Medicaid) was stopped after the November 2007 payment. Therefore, Heartland received five months worth of full payments from DMH for these three programs even though very few services were being provided.

Once DMH stopped the payments to Heartland, Heartland and DMH worked together on a liquidation plan to determine how much additional funding Heartland would need to finish the year. As a result, DMH only funded \$1,336,821 of the FY08 contract that totaled \$2,333,619. This was a reduction of 43 percent from the original contract amount. (pages 11, 12, 36)

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## HEALTH CARE WORKER REGISTRY

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The Health Care Worker Background Check Act (225 ILCS 46) states that the General Assembly finds that it is in the public interest to protect the most frail and disabled citizens of the State from possible harm through a criminal background check of the health care workers. The Act applies to all individuals employed or retained by a health care employer. The Act defines a community integrated living arrangement operated by a community mental health and developmental service agency as a health care employer.

We searched the Health Care Worker Registry for the names of all the CILA workers hired after the strike. We also searched the Registry for the Residential Coordinator over the CILAs. None of the Heartland staff working in the CILAs were listed on the Health Care Worker Registry as Heartland employees.

When questioned as to why none of Heartland's CILA staff were on the Registry, an IDPH official noted that IDPH does not require CILAs to submit copies of employee background checks to the Health Care Worker Registry due to an exception found at 225 ILCS 46/20(2) of the Health Care Worker Background Check Act (Act). Section 46/20(2)

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**IDPH does not require CILAs to submit copies of employee background checks to the Health Care Worker Registry.**

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excludes “an individual employed or retained by a health care employer for whom a criminal background check is required by another law of this State.” There is also an exception for individuals “licensed by the Department of Financial and Professional Regulation or the Department of Public Health under another law of this State,” which applies to some of Heartland’s other staff.

DHS was then questioned about the requirement to conduct background checks on CILA workers. According to a DHS official, there is not another State law that requires background checks on CILA workers. The DHS official noted that background checks for CILA workers are required by the Health Care Worker Background Check Act (225 ILCS 46), **which is not a different State law** as claimed by IDPH. Additionally, DHS Instructions for CILA/DT Providers require that Personal Support Workers’ names **be added** to the Illinois Health Care Worker Registry.

According to Heartland, Heartland was told that IDPH was not ready to receive the background check information. Currently, Heartland Human Services’ workers are not being added to the Registry as required. Since IDPH is not requiring any CILA providers to report to the Registry, this is a statewide issue as well. We recommend that DHS and IDPH work together to ensure that mental health workers in Illinois are reported to the Health Care Worker Registry as required by State law. (pages 13, 14)

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## ILLINOIS DEPARTMENT OF HUMAN SERVICES

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DHS provides Heartland with funding to administer community based programs that provide disability and behavioral health services to residents of Effingham County. DHS administers one contract annually divided among four divisions: Mental Health; Alcoholism and Substance Abuse; Rehabilitative Services; and Community Health and Prevention.

### Division of Mental Health

DHS continues to work toward converting funding provided to mental health providers from a grant based system to a fee-for-service basis. The conversion that began in FY05 was not completed by the end of this audit. The agreement between DHS and Heartland lists the method of payment as “Grants” for all 10 mental health programs funded by DHS in FY08. For the 10 mental health programs funded in FY08:

- 8 capacity grant programs provided advance funding to Heartland which is primarily to be used for **expenses**, such as

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**The fee-for-service conversion that began in FY05 was not completed by the end of this audit.**

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payroll, facility expenses, etc. Most grants have requirements on how such funds are to be used – such as 80 percent of the grant must go toward personnel costs; and

- 2 grant programs (Medicaid and Non-Medicaid) are treated as “fee-for-service” programs by DHS. Funds are advanced to Heartland for these two programs, and Heartland is required to submit bills on at least a monthly basis for billable **services** funded by the Medicaid and Non-Medicaid contract amounts. However, even though Heartland submits bills to DHS for the fee-for-services it provides, Heartland is not reimbursed or funded based on these billings. Rather, due to the reconciliation method used by DHS, which is discussed later, DHS has generally been allowing providers to retain any excess Medicaid funding which may not be supported by billings.

DHS officials stated that many of the Statewide issues discussed below are the result of the Department’s attempt to comply with the provisions of the FY05 Memorandum of Understanding (MOU) which affected how mental health providers were funded. Officials noted that since the MOU allowed Medicaid funds to be used to supplement funding of capacity grant programs, their ability to monitor and reconcile capacity grants was impacted. (pages 33-38)

### **Fiscal Reporting**

DHS does not require Heartland to allocate expenses directly to each mental health program specified in its agreement. As a result, it is not possible to determine whether expenses are being allocated to the DHS capacity grant, Medicaid, or Non-Medicaid portion of Heartland’s funding. Heartland’s Medicaid, Non-Medicaid, and grant funds are lumped together to fund the mental health services it provides. This commingling of funding types, along with the limitations in DHS reporting requirements, makes it very difficult to track and account for the funding received by providers.

Based on our review of Heartland’s Consolidated Financial Report (CFR) and audit, we identified several issues related to Heartland’s use of its DHS funding. These included:

- Even though expenses are not allocated to specific funding sources, which makes it difficult to determine whether Heartland is in compliance with grant requirements, we determined that Heartland’s use of Crisis Services program funding did not comply with its grant agreement.

- Heartland allocated \$145,492 in revenue to the Crisis Services program in FY08 (\$128,683 in DHS funding and \$16,809 from non-State revenue), but reported only \$93,779 in expenses for the program of which only \$82,507 was allowable.
- In FY08 several of Heartland's programs (Client Transition Subsidy, Psychiatric Medications, and SASS Flex) had expenditures that were less than the grant funds received. In these instances, Heartland was able to keep the funding due to DHS' reconciliation process that has been used since FY05.

Based on our discussions with Heartland, as well as DHS officials, much of the difficulty in tracking and reporting the use of funding from DHS relates to the way the Medicaid and Non-Medicaid funding is allocated. In the funding agreement with Heartland, the Medicaid and Non-Medicaid funds are a specific grant program. Specifically at Heartland, the Medicaid and Non-Medicaid grant funds are used to support services such as Outpatient, Child and Adolescent Outpatient, Case Management, and Psychosocial Rehabilitation. These programs are not funded by any specific capacity grant by DHS.

Since financial reporting to DHS was not done by the program titles that were listed in the grant agreement, it is not possible for DHS to determine whether Heartland met performance and allowable cost requirements by program as required by the grant agreement. In order to determine how DHS monitors compliance with contracts and grant agreements, DHS was asked how they determine what is spent by program. A DHS official agreed that it is not possible to track spending by program. This appears to be a Statewide issue and is something that is not being monitored adequately by DHS. (pages 39-42)

### **Capacity Grant Expenditures**

DHS does not require mental health providers to submit expenditure reports that document how grant funds were expended. As a result, DHS does not have any specific support for how the grant funds were expended. For example, many of the grants require that at least 80 percent of the grant funding shall be used to support salaries and benefits. Without these grant activity reports, it is unclear how DHS monitors this requirement. (page 42)

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**DHS does not require mental health providers to submit expenditure reports that document how grant funds were expended.**

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### **Heartland's Case Notes**

Although DHS does not reimburse Heartland for individual DMH services provided, Heartland maintains documentation on individual services provided and submits it to DHS. We determined that Heartland employees need to be more specific when documenting services provided in the case notes. (pages 42, 43)

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## **DHS MONITORING**

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House Resolution Number 1307 directed the Auditor General to examine the nature and extent of State agencies' monitoring of Heartland's use of State funds.

### **DMH Monitoring**

The Mental Health Program Manual and grant agreement have very few monitoring requirements. Both contain a list of activities that the Department's monitoring "may consist of." However, none of the activities are required and nothing delineates the frequency of the reviews to be conducted.

Although documented requirements for monitoring were limited, DMH provided documentation of numerous monitoring activities during fiscal years 2007 and 2008. From our review of the documentation provided by DMH, it appears the DMH was in frequent contact with Heartland and monitored the strike as necessary. According to a DMH official, Heartland was in compliance with all notifications and reporting requirements.

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**DMH was in frequent contact with Heartland and monitored the strike as necessary.**

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DMH had contact with Heartland on several occasions after the strike began. According to a DMH official, a meeting was held with Heartland's Executive Director on August 13, 2007. Additionally, site visits were conducted on October 3, 2007 and December 10, 2007.

A Post Payment Review was conducted on October 6, 2008, covering the time period of October 19, 2007 to June 11, 2008. Heartland scored a 22 percent out of 100 percent on the Post Payment Review. According to DHS officials, this score is at the higher end of scores received by similar providers. According to DHS, DHS/DMH evaluated the Post Payment Review policies and procedures and made changes to the process. As a result, Heartland's score was revised to 73 percent.

A Clinical Practice Review was conducted on October 8, 2008, covering the time period of October 1, 2007 to September 30, 2008. The

review is considered to be a guiding and shaping practice tool used by DHS for the providers. This review of Heartland found numerous issues with Individual Treatment Plans. The issues tested included if the ITP is individualized to the consumer, is consumer driven, and if there is documentation that the provider is assisting the consumer with moving him/her away from the provider as his/her primary support system and toward natural supports in the community. DHS officials said that Heartland scored average in comparison to other similar providers. (pages 44-46)

### **Monitoring Conducted by the Office of Contract Administration**

Due to the way DHS' Office of Contract Administration reconciles the funding DHS provided to mental health providers, providers such as Heartland have been allowed to keep mental health funding that was not reported as expended. DHS officials stated that the method of reconciliation used by the Department is due to its attempt to comply with the provisions of the FY05 MOU.

Since FY05, the Department of Human Services/Division of Mental Health has been working on converting mental health providers from being funded through grants to being funded by fee-for-service. Although DHS/DMH has been working on the conversion since FY05, the conversion has not been implemented as of the end of the audit. As a result of the planned conversion in FY05, DHS/DMH has not required mental health providers to reconcile total eligible expenses by program as required by 89 Ill. Adm. Code 511.10(a) or as required by the FY08 grant agreement.

### **Calculation of Interest on DMH Funding**

Heartland's FY07 reconciliation documentation provided by DHS' Office of Contract Administration did not show that Heartland earned any interest on the \$2,364,960 in funding received for mental health programs. The Grant Funds Recovery Act requires that interest earned on grant funds held by a grantee shall become part of the grant principal. Since DMH funding in FY07 was 71 percent of Heartland's total funding, it would be expected that a portion of the \$65,018 of interest earned would be from DMH funds. (pages 46-48)

### **Alcoholism and Substance Abuse Monitoring**

DASA monitors earnings for the Global program by requiring Heartland to submit information for the services it provides on a monthly basis. DASA performed a post-payment audit of Medicaid and grant/fee-for-service billings on June 16, 2008 for services provided during FY07.

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**Due to the way DHS' Office of Contract Administration reconciles the funding DHS provided to mental health providers, providers such as Heartland have been allowed to keep mental health funding that was not reported as expended.**

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No recoupable deficiencies were identified during the audit. DASA also performed a post-payment audit of Heartland's Alcoholism and Substance Abuse Treatment and/or Intervention Services program(s) on November 1 and 2, 2007. This audit covered FY06 billings. DASA identified \$674 in billings subject to recoupment. DASA conducted a site visit on July 21, 2008. The report included a narrative detailing deficiencies along with an overall score. Heartland received a score of 89 percent, which according to DASA officials is very good. (pages 50-51)

### **Rehabilitative Services Monitoring**

The employees that administer the Supported and Extended Employment programs went on strike on July 2, 2007, and as a result, in FY08, Heartland Human Services did not provide any Division of Rehabilitative Services' Supported or Extended Employment program services.

DHS monitors expenditures for the Supported Employment and Extended Employment programs by requiring Heartland to submit information for the services it provides on a monthly basis. These Group Billing Sheets are provided in hard copy and list the name of the client and the number of service units provided. The sheets are submitted monthly for each program.

In FY07, Heartland received \$50,389 from DRS for the Supported Employment program. Heartland submitted billings totaling \$46,682. After reconciliation, Heartland returned \$3,707. In FY08, Heartland received \$31,690 in advance payments from DRS. These payments were received in August and October 2007. Heartland did not provide any supported employment services in FY08, and after reconciliation repaid the \$31,690 on July 10, 2008. DRS did not require Heartland to calculate interest earned on the \$31,690 in advance funds that it held for more than nine months; as a result no interest was repaid to DRS. (pages 52, 53)

### **Division of Community Health and Prevention Monitoring**

DHS monitors Heartland's Addiction Prevention Services by requiring Heartland to submit Annual Work Plans, Annual and Semi-Annual Evaluation Progress Reports, and by requiring quarterly reporting of service data. All required monitoring reports were provided and appeared to be completed and submitted to DHS. In addition, DHS conducted a site visit of Heartland on November 13, 2007. The site visit had no findings and required no action by Heartland. (pages 55, 56)

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## **OTHER STATE AGENCY MONITORING**

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### **Public Health Monitoring**

According to IDPH officials, IDPH was in contact with Heartland during the strike, and on March 13, 2008, IDPH conducted a site visit finding that files were 97 percent correct which, was rated by IDPH as “Excellent.” (pages 60-62)

### **Healthcare and Family Services’ Monitoring**

Monitoring of HFS’ Screening, Assessment & Support Services (SASS) program was conducted for both FY06 and FY07. On April 14, 2008, the FY07 SASS Program Review was conducted to assess Heartland’s compliance with the requirements identified in the SASS Request for Proposal and the Handbook for Providers of Screening, Assessment & Support Services. The review gave Heartland high marks in the areas of Administrative Compliance and Client Transfers; however, Heartland received low marks in areas of Clinical Record – Community Stabilization and Clinical Record – Hospital. Heartland received an aggregate score of 71.8 percent compliant. This was an improvement from the 56 percent level of compliance from the FY06 review. (pages 62-64)

### **Children and Family Services’ Monitoring**

Monitoring conducted included Monthly Medicaid/Non-Medicaid billing reports, quarterly program and contact reviews, a Contract Monitoring Summary Report from a review conducted on April 4, 2006, and a Medicaid Implementation Review conducted in January 2007.

The Contract Monitoring Summary Report from April 2006 found that Heartland was at 100 percent compliance and required no corrective action plan. The FY07 Medicaid Implementation Review contained suggestions for improvement for Heartland. The issues identified in the report appeared to be related to clearly documenting patient need based on the evaluation of the problems that the patient presented with. (pages 64, 65)

### **Monitoring of Aging Funding Conducted by Midland**

The November 2007 review was conducted by the Midland Area Agency on Aging, which passed on funding from the Department on Aging. The only area identified in the review that Heartland needed to address was that a required Caregiver Assessment was not in the file for the GAP Filling Services case that was reviewed. Within a week, Heartland followed up with the client and the Assessment was completed.

After the review, Midland's correspondence to Heartland commended them on the Caregiver program and noted that the files were in order and were easy to follow. (pages 66, 67)

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## RECOMMENDATIONS

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The audit report contains 7 recommendations. Three recommendations were specifically for Heartland Human Services. Three recommendations were specifically for the Department of Human Services. One recommendation was for both the Department of Human Services and the Department of Public Health. Heartland, the Department of Human Services, and the Department of Public Health agreed with the recommendations. Appendix E to the audit report contains the agency responses.



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WILLIAM G. HOLLAND  
Auditor General

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May 2009