

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Human Services
Lincoln Developmental Center
Two Years Ended June 30, 2001
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REVIEW: 4163
DEPARTMENT OF HUMAN SERVICES
LINCOLN DEVELOPMENTAL CENTER
TWO YEARS ENDED JUNE 30, 2001

FINDINGS/RECOMMENDATIONS - 5
IMPLEMENTED - 4
ACCEPTED - 1

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 3

This review summarizes an audit of the Lincoln Developmental Center of the Department of Human Services for the two years ended June 30, 2001, filed with the Legislative Audit Commission April 30, 2002. The auditors performed a compliance audit. In addition, the auditors conducted a financial audit and reported the financial statements of the Center's locally held funds are fairly presented. The Center is now closed.

The Lincoln Developmental Center was a residential facility operated by DHS in Lincoln, IL. The Center was a residential facility comprised of 34 buildings on a 114-acre campus and had a budgeted capacity of 378 beds. The Center served developmentally disabled individuals who are primarily severely and profoundly developmentally disabled and may also be physically disabled. The core service area was a 38-county region in central Illinois.

Reportedly, the Center closed due to budget constraints and poor performance reviews. On August 24, 2002 a news article reported that the last 25 clients were to be moved from the Center by August 30, and all "428 or so" employees would be laid-off as of August 31, 2002. Jim Donkin, Chief Internal Auditor for the Department, confirmed that the last client was transferred from the facility on August 30, 2002.

The acting facility administrator/director at the time of closing was Ms. Peggy Davidsmeyer. Ms. Gwendolyn Thornton was the facility administrator/director from November 1999 to September 2001. Mr. Martin J. Downs was the administrator/director at the beginning of the audit period from July – October 1999. He had been the administrator/director for at least four years previously.

Statistical information includes:

	FY2001	FY2000	FY1999
Number of employees	661	671	682
Average resident population	382	390	405
Annual cost per resident	NA	\$106,263	\$98,846

Expenditures From Appropriations

The General Assembly appropriated \$33,627,200 all from the General Revenue Fund to the Center in FY01. Total expenditures for the Center were \$33,564,489 in FY01 compared to \$31,221,043 in FY2000, an increase of \$2.3 million, or 7.5%. Significant variations in expenditures included expenditures for contractual services which increased from \$1.3 in FY2000 to \$1.9 in FY01. This increase was due to a new initiative intended for the hiring of contractual medical specialists such as neurologist, orthopedist, etc. The specialists require a wide variety of specialized tests and consultations with other specialists.

Property and Equipment

Appendix B provides a summary of property and equipment for FY01 and FY2000. The balance as of July 1, 1999 was \$42,499,820, compared to \$44,168,799 as of June 30, 2001. A large portion of the additions were Capital Development Board transfers in building and site improvements.

Locally Held Funds

Appendix C provides a summary of the Center's locally held funds for Fiscal Year 2001 and Fiscal Year 2000. None of the funds are held in the State Treasury. The Living Skills Fund was established to provide behavioral modification programs for the residents. The source of revenue is the State appropriation. The appropriation is expended by distributing reward payments to recipients for achievement of desired behavioral modifications. The Other Special Trusts Fund was established for the special comfort, pleasure, and amusement of the residents from a percentage of vending machine commissions and monies donated for resident use. These funds are then used for activities and materials to help fulfill the residents' needs in these areas. The Resident's Trust Fund is maintained as a depository for funds of patients while in residence at the Center. The Fund also is used to receive social security monies obtained to pay for patient billings. Disbursements from the Fund consist primarily of withdrawals of monies for recipients' personal use at the Center or when discharged, as well as payments to the Department for care and treatment charges billed to the recipients.

Accounts Receivable

Appendix D provides a summary of the Center's accounts receivable. The total represents amounts due from private assets, private insurance, Social Security Administration, and others for resident care provided at the Center. DHS prepares and mails the monthly billing statements, receives the payments and records the revenue and receivable in its general

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ledger. The Patient Resource Unit at the Center is responsible for determining billing amounts and for pursuing collection of delinquent accounts. A substantial portion of the past due balance pertains to one account and will likely never be collected. Total accounts receivable increased from June 30, 2000 to June 30, 2001 by \$107,247.

In addition to the recipients' accounts receivable balances summarized in Appendix D, accounts receivable for Medicare Part B billings totaled \$32,052 at June 30, 2001, and \$59,994 at June 30, 1996. However, Department personnel indicated that approximately \$17,000 of the outstanding receivable was written off during August 2001.

Accountants' Findings and Recommendations

Condensed below are the five findings and recommendations included in the audit report. Two were repeated from prior audits. The following recommendations are classified on the basis of information provided on August 7, 2002 by Jim Donkin, Chief Internal Auditor, Department of Human Services.

Accepted or Implemented

1. Ensure employees receive training in accordance with Center policies. (Repeated-1999)

Findings: A significant number of employees were delinquent in completing one or more training courses required for their positions. The auditors tested six refresher courses and found that on average, 80 employees were more than seven months behind in training.

Response: Implemented. Policy went into effect July 2002 requiring staff to receive annual training in one session during their birthday month. Supervisors will be responsible for scheduling training and ensuring attendance. All staff will receive training by August 9, 2002.

2. Emphasize to the nursing staff the need to prepare and submit Medicare service slips to the Medical Records Unit for all physician services performed on Medicare patients. Direct the Center's Resident Resource Unit to perform periodic reviews of resident files for unbilled physician services and report the results to management for follow-up and corrective action. (Repeated-1999)

Findings: In a sample of physician services performed, 15 out of 40 (37.5%) for Medicare-eligible persons were not billed to Medicare. By extrapolating the results of the

Accepted or Implemented - continued

sample, the auditors estimated this deficiency may have resulted in approximately \$94,000 of lost Medicare reimbursement revenue during the audit period.

Response: Implemented. All nursing staff were retrained on the preparation and submission of Medicare Service Slips. All physician claims not submitted previously to Medicare have been submitted for the period April 2001 to present.

- 3. Allocate sufficient resources to investigate rejected Medicare laboratory claims. DHS should open communication channels with the Medicare claims office to determine exactly what the rules on laboratory billing are and communicate these rules to center personnel.**

Findings: The auditors noted that 1,725 Medicare claims worth \$18,967 were rejected during the audit period, and the Center had no documentation to support that the rejections were reviewed to determine if the rejections were proper.

Response: Implemented. The Center contracted with a vendor to assume processing responsibilities for laboratory tests and Medicare billings beginning in July 2002.

- 4. Continue to pursue the reforms ordered by the Governor and work with Public Aid and Public Health to comply with the Conditions of Participation.**

Findings: The Illinois Department of Public Health (DPH) has recommended to the Department of Public Aid that it terminate the Center's Medicaid agreement on November 15, 2001 which could lead to the loss of \$17 million in federal funding. DPH concluded on October 12, 2001 that the Center was in non-compliance with four of eight Conditions of Participation as follows:

- Governing Body,
- Client Protection,
- Facility Staffing, and
- Active Treatment.

Governing Body: This Condition specifies the governing body of the facility provide, monitor, and revise as necessary policies and procedures which ensure the necessary staffing, training, resources, equipment and environment to provide individuals with active treatment and to provide for their health and safety. This condition is not met when one or more of the other seven Conditions of Participation have not been met.

Client Protection: This Condition specifies that individuals are to be free from abuse, neglect, unnecessary drugs and restraints. The Condition is not met when individuals have

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been abused, neglected or otherwise mistreated and the facility has not taken steps to protect individuals and prevent reoccurrence. The Condition is also not met when individuals are subjected to the use of drugs or restraint without justification or individual freedoms are denied or restrained without justification. Surveyors reported finding individuals who were not properly supervised and individuals engaging in pica behavior without intervention.

Facility Staffing: This Condition specifies that the facility must ensure sufficient number of competent trained staff is available and deployed correctly to provide active treatment and to protect individual's health and safety. This Condition is not met when either or both the Condition of Participation Active Treatment Condition or Participation of Client Protection is not met due to insufficient numbers of staff, incorrect deployment or a lack of trained knowledgeable staff to design or carry out individual's programs. In this citation, surveyors found the deployment of staff was not sufficient to ensure necessary services and a safe environment. Individuals were found with injuries of unknown origin, ingesting inedible objects without intervention and not engaging in meaningful activities.

Active Treatment: This Condition specifies that individuals receive continuous and competent training, supervision and support which promote skills and independence in the functional life areas of communication, socialization, toileting, bathing, household tasks and use of community across all environments. This Condition is not met when activities are not individualized, meaningful, functional and do not contribute to the learning of new skills and independence. Surveyors reported a lack of implemented programs based on individual needs, individuals left unsupervised for periods of time and a lack of meaningful and functional activities.

As a result, the Governor ordered reforms for the Center's operation including:

- Movement of 90 residents from the Center;
- Agreement with labor union and Center managers to alter contracts to allow quick and effective internal staffing and program changes; and
- 30-day assessment period for internal reforms and further inspections and surveys.

DHS assigned a new management team. DHS also entered into a hearing before an administrative law judge to refute the finding of DPH. Upon further assessment of the Center and upcoming budget problems, the Governor decided, and the Department agreed to close the Center. DHS began to move clients out of the Center while AFSCME, parents and even a State Senator filed lawsuits against closing the Center. The case was heard by many judges at many different levels. Ultimately the decision by the Health Facilities Planning Board approving the plan to close the Center resulted in the last of the residents being moved and the last judge refusing to delay the moves.

Response: Accepted. Center management received a directive to proceed with closing the Center effective August 31, 2002. The Center has been working with other State Operated Developmental Centers, DHS Network Staff and Central Illinois Service Access to transfer individuals residing at Lincoln by this date.

Accepted or Implemented - concluded

- 5. The Center's Business Manager should develop and implement procedures to ensure inventory adjustments are accurately posted. The Manager should closely review the monthly inventory listing, and with the Pharmacy Director conduct periodic test counts and investigate discrepancies found.**

Findings: The Center's commodities inventory was misstated at June 30, 2001. The auditors tested all 498 adjustments made to the inventory and discovered that 48 items were either incorrectly adjusted or not adjusted at all. These errors resulted in an inventory overstatement of \$13,837, which is 3.6% of the total inventory. The auditors noted a data entry error on one item which resulted in an inventory overstatement of \$29,808. Additionally, the auditors were unable to reconcile 27 of 60 test counts taken.

Response: Implemented. The Center's Business Manager has implemented procedures for reviewing the monthly inventory listing for discrepancies and making adjustments where necessary.