



DEPARTMENT OF ECONOMIC SECURITY

*Your Partner For A Stronger Arizona*

Douglas A. Ducey  
Governor

Henry Darwin  
Interim Director

**FEB 09 2017**

Ms. Debra K. Davenport, Auditor General  
Office of the Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Ms. Davenport:

The Arizona Department of Economic Security appreciates the opportunity to provide a response to the Child Care Administration Sunset Audit conducted by your office that was received on February 3, 2017. The Department is committed to continuous quality improvement, transparency, and accountability.

Attached is the Department's responses to your findings and recommendations. We look forward to sharing our progress in implementing these recommendations.

Sincerely,

Henry Darwin  
Interim Director

Enclosure: ADES Child Care Administration's response

**Finding 1:** Department should strengthen its child care monitoring

**Recommendation 1.1:** The Department should implement a differential monitoring approach to more effectively and efficiently monitor its providers. This will require that the Department:

**Recommendation 1.1a:** Explore the various approaches to differential monitoring and select the best approach for Arizona certified child care providers;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES concurs with the Auditor General recommendation. ADES has begun exploring various approaches to differential monitoring. ADES will research and contact other states to learn about various approaches and experiences regarding differential monitoring.

**Recommendation 1.1b:** Determine the necessary procedures for implementing the differential monitoring approach it selects, including procedures to prevent compliance deterioration as a result of the differential monitoring approach;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Once ADES determines the best differential monitoring approach for the State of Arizona, ADES will determine the necessary procedures for implementing the differential monitoring approach selected. The new approach will create efficiencies and great effectiveness in monitoring and enforcement to allow certification staff to spend more time with providers who display a need for more technical assistance and program support.

**Recommendation 1.1c:** Modify its regulation and guidance documents, including administrative rule, policy, and the Child Care and Development Fund state plan to reflect the differential monitoring approach;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Once the differential monitoring approach for certified homes has been determined, ADES will modify regulation and documents including the Child Care Development Fund state plan for Arizona, administrative rule and policies to reflect the new monitoring approach and procedures.

**Recommendation 1.1d:** Train all inspectors on the differential monitoring approach and guidance documents; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will train all inspectors on the revised monitoring approach as well as any new materials. All guidance materials including desk aids, training materials, and documents will also be revised to reflect the new approach.

**Recommendation 1.1e:** Establish a process for assessing its differential monitoring approach and making adjustments as needed, including, at a minimum, assessment frequency, areas to assess, and how to make adjustments.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will establish a process for assessing the differential monitoring approach and make adjustments as needed. ADES has revised AzCCATS to track compliance data, monitoring results, and timeliness of visits. Once the new process is established, metrics will be pulled to determine the success of the new monitoring approach in all areas. ADES will monitor trends and implement adjustments as needed on an ongoing basis.

**Recommendation 1.2:** The Department should develop and implement a structured training program to help ensure new inspectors receive adequate and consistent training that includes:

**Recommendation 1.2a:** A structured curriculum that covers the Department's child care regulations, policies, procedures, program standards, and the developmental needs of children the Department regulates. The curriculum should include a mix of classroom, independent study, shadowing, and mentoring;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES has submitted a request to the Office of Professional Development to develop structured training. This training will include a structured curriculum covering child care policies, regulations, procedures and standards. The training will include face to face, independent study, computer, shadowing, and mentoring. The training will also include timelines of expectations which an inspector will need to meet.

**Recommendation 1.2b:** Written training plans for each new inspector that specify the instructional areas that need to be covered, tasks/exercises to be performed, and time frames for completing the training content;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will ensure written training plans are created with all new inspectors. The training plans include specific instructional areas, activities, tasks and exercises to be performed, and time frames for completion of all training content

**Recommendation 1.2c:** A requirement that a supervisor or an experienced inspector assess and verify the new inspector's competency through observing the new inspector's completion of required training tasks/exercises and signing and dating the training plan confirming they have been completed; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will require a supervisor and/or mentor to work closely with new inspectors ensuring a clear understanding of the expectations. The supervisor and/or mentor will observe the completion of the required training and tasks as well as observe site visits conducted by the new inspector. The plan will be signed and dated by the inspector and the supervisor and/or mentor after the tasks, visits, and training are completed.

**Recommendation 1.2d:** A process for tracking the status of inspectors' progress and completion of the initial inspector training content that a supervisor or a training coordinator maintains.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The supervisor will be responsible to track the status of the inspector's progress and completion of the initial inspector training as well as any other required training.

**Recommendation 1.3:** The Department should enhance its rules and policies manual to help ensure inspectors perform inspections consistently by:

**Recommendation 1.3a:** Establishing and implementing a schedule for routinely reviewing and updating its policies to ensure they reflect current regulations and practices;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will enhance its rules and policies manual as well as create desk aids to ensure inspectors perform inspections consistently. ADES will also establish and implement a schedule for routinely reviewing and revising its policies to ensure they reflect current regulations and procedures.

**Recommendation 1.3b:** Including adequate guidance and direction to help ensure that inspectors apply, measure, and enforce rules consistently, such as the rule related to having an operating fire extinguisher; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will ensure that adequate guidance, direction, and tools are developed to assist in ensuring that inspectors apply, measure, and enforce rules consistently. Inspectors will periodically shadow one another to also help ensure standard and consistent work.

**Recommendation 1.3c:** Ensuring that all inspectors are aware of any revisions made to its rules and policies manual.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will ensure that all inspectors are aware of any revisions made to its rules and policies manual through written notifications, meetings and huddles.

**Recommendation 1.4:** The Department should revise its inspection case-read process to help improve its oversight of inspector performance by reviewing a sample of inspections for each inspector that includes all inspection types and considers the inspector's experience.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES is in the process of determining the best case-read process to help improve its oversight of inspector performance. The new case-read process will include reviewing a sample of inspections for each inspector, all inspection types and will consider the inspector's experience. Additionally, ADES will consult with the Federal Program Manager to ensure compliance of the new case-read process.

**Recommendation 1.5:** The Department should improve its data's reliability by developing policies and procedures for how and when staff should enter data, and how and when supervisors should ensure its reliability, such as through regularly reviewing data quality.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES has developed guidance and procedures and will develop policies for how and when staff should enter data and for when supervisors should ensure its reliability. Additionally, metrics are pulled from AzCCATS to reflect the timeliness in which data is updated in the system. A metric report is provided to supervisors weekly to ensure data is entered timely.

**Recommendation 1.6:** The Department should develop and implement a uniform process for conducting inter-rater comparisons to assess the consistency in how inspectors identify violations, take enforcement actions, and verify that violations have been resolved. This process should identify what information to collect; how to collect the information, such as through joint inspections; and how to use the information to build consistency among inspectors state-wide.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES has updated AzCCATS to reflect compliance findings based on inspections. Reports will be created that provide information and data related to compliance issues discovered by inspectors, as well as the frequency of inspections. ADES will review the data and cases to identify trends. Additionally, joint inspections will be conducted with supervisors or mentors and inspectors to ensure compliance findings are consistent and to identify any areas for improvement. The joint inspections will include inter-rater reliability testing by examining the consistency in how inspectors are identifying violations, taking enforcement actions, and verifying violations are resolved state-wide.

The Department will utilize this information to build consistency among inspectors and inspections state-wide.

**Recommendation 1.7:** The Department should identify and develop management reports to monitor and better oversee its providers. For example, reports on the most common or severe violations cited could be used to identify trends and areas for improvement, such as training for providers on how to comply with regulatory requirements. In conjunction with this activity, the Department should identify who will receive the reports, how frequently they will be generated, and how it will use the information to improve the Department's childcare processes.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES has updated AzCCATS to better monitor providers as well as staff. Reports reflecting the most common or severe violations cited can be pulled to identify trends and areas for improvement. With this information, trainings or technical assistance can be provided in the identified areas. ADES will continue to seek and develop various reports to improve child care processes and compliance.

**Finding 2:** Department should improve its child care provider complaint-handling process

**Recommendation 2.1:** The Department should enhance its complaint intake process to ensure that the public knows how to file a complaint against a certified child care provider and understands how it will handle complaints. Specifically, the Department should:

**Recommendation 2.1a:** Include information about its complaint-handling process on its website, such as an overall description of the process;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will enhance its complaint intake process and develop a plan to ensure that the public is aware of the complaint handling process. Once the complaint process has been identified, ADES will ensure it is placed on the ADES and CCR&R websites.

**Recommendation 2.1b:** Ensure that the public has a variety of ways to submit a complaint to the Department, such as through an online submission form and a specific phone number to call; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will ensure that the public has a variety of ways to submit a complaint to the Department. This will include an online submission form and specific contact information including email address and phone number.

**Recommendation 2.1c:** Assign specific staff to receive and process complaints.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Once ADES has enhanced the complaint process, ADES will assign specific staff to receive and process any complaints.

**Recommendation 2.2:** The Department should continue its efforts to modify AzCCATS to capture information related to complaints on certified child care providers. Specifically, the Department should:

**Recommendation 2.2a:** Develop and implement guidance within its complaint-handling policy on the complaint information that should be recorded in AzCCATS throughout the process, and how it should be entered into AzCCATS, by whom, and within what time frames;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will develop and implement guidance within its complaint-handling policy on the complaint information that will be recorded in AzCCATS. ADES has updated AzCCATS to record complaints

**Recommendation 2.2b:** Ensure that its modifications to AzCCATS will allow it to comply with the November 2017 federal requirement that information on substantiated complaints be electronically available to the public, such as through its website; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES is working on developing a means to implement the November 2017 federal requirement that substantiated complaints be electronically available to the public.

**Recommendation 2.2c:** Ensure that the complaint information it is capturing in AzCCATS is sufficient for monitoring whether complaints are being processed in a timely manner and that all steps in the process are completed, as well as allow it to periodically assess complaint trends. For example, to allow the Department to track whether complaints are being handled in a timely manner, AzCCATS will also need to capture dates for specific steps in the process, such as when complaints are received, and to monitor trends, AzCCATS will also need to capture information such as the nature of complaints and whether complaints are substantiated or not.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES has updated AzCCATS to reflect findings for complaints. Reports will be created that provide information and data related to the nature of complaint by provider as well as frequency. ADES will review the data and cases to look for trends. Additionally, ADES will implement metrics from AzCCATS to reflect timeliness of complaint response in the system. A metric report is provided to supervisors weekly to ensure complaints are investigated and completed timely.

**Recommendation 2.3:** The Department should develop and implement comprehensive complaint investigation policies and procedures. These policies and procedures should require inspectors to develop a written complaint investigation plan for each investigation that outlines the specific steps that inspectors should perform, such as what documents to review, what items or areas to observe, and whom to interview.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will develop and implement comprehensive complaint investigation policies and procedures. These will include a written plan on what documents to review, items to observe, whom to interview, and supervisor collaboration.

**Recommendation 2.4:** The Department should develop and implement additional complaint resolution policies and/or guidance in its complaint-handling policy regarding its enforcement options and follow-up activities. Specifically, the Department should:

**Recommendation 2.4a:** Develop and implement, within its complaint-handling policy, a systematic, fair, and progressively stringent enforcement process. This process should provide guidance on the appropriate disciplinary actions to take if the complaint is substantiated and when to take progressive disciplinary action against a provider, such as when issues are not corrected in a timely manner or the provider receives multiple complaints with substantiated violations; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will enhance the complaint-handling policy to ensure a systematic, fair, and progressively stringent enforcement process is in place.

**Recommendation 2.4b:** Develop and implement policies and procedures that specify the follow-up activities to perform, such as the steps needed to ensure problems have been corrected, and that appropriate persons, such as complainants, are notified of the complaint outcome. In addition, the policies and procedures should include the time frames for performing these follow-up activities.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will develop and implement policies and procedures that specify the follow-up activities to perform, such as the steps needed to ensure problems have been corrected, and that appropriate persons, such as complainants, are notified of the complaint outcome. ADES will include time frames in these policies and procedures

**Recommendation 2.5:** The Department should strengthen its monitoring of the complaint-handling process by:

**Recommendation 2.5a:** Establishing time frames for completing key steps of the complaint-handling process, such as complaint receipt, assignment for investigation, and investigation completion. Once established, the Department should also develop and implement policies



and procedures for monitoring compliance with the established complaint-handling time frames;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will establish time frames for completing key steps of the complaint-handling process, such as complaint receipt, assignment for investigation, and investigation completion. Once established, ADES will also develop and implement policies and procedures for monitoring compliance within the time frames.

**Recommendation 2.5b:** Developing and implementing policies and procedures directing the supervisory review of complaint handling. Key complaint-handling steps that may benefit from supervisory review include the complaint intake process, adequacy of the complaint investigation, appropriateness of complaint findings and substantiated violations, and ensuring the appropriateness of any recommended disciplinary action; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will enhance its policies and procedures to include supervisory review of the complaint-handling process as recommended.

**Recommendation 2.5c:** Developing and implementing policies and procedures for reviewing complaint outcomes, identifying trends, and taking any necessary actions based on the trends identified. The policies and procedures should identify the specific information that should be analyzed, such as the number and types of complaints received, and specify how the Department will use the information to make changes to its complaint-handling processes or identify needs within the child care provider community, such as a need for additional training.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will develop and implement policies and procedures for reviewing complaint outcomes, identifying trends, and taking any necessary actions based on the trends identified. Additionally, reports reflecting outcomes and trends will be made available and reviewed to identify areas of need for additional training.

**Recommendation 2.6:** The Department should develop and implement training on the complaint-handling process. Specifically, the Department should:

**Recommendation 2.6a:** Develop and implement training that covers the entire complaint-handling process from intake to resolution and also incorporates the changes identified in this audit;

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will develop and implement training that covers the entire complaint-handling process from intake to resolution and also incorporates the changes identified in this audit.

**Recommendation 2.6b:** Provide this complaint-handling training to all staff who handle complaints directly; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will train all inspectors on the revised complaint-handling policies and procedures as well as any new materials. All guidance materials including desk aids, training materials, and documents will also be revised to reflect the new policies and procedures.

**Recommendation 2.6c:** Provide general training about the overall complaint-handling process to all child care services staff, including how complaints can be filed and an overview of the Department's policies and procedures for handling complaints.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will develop a curriculum and train all staff within the child care program on the revised complaint-handling process.

**Finding 3:** Department should examine costs and benefits of consolidating child care regulation under one agency

**Recommendation 3.1:** The Department should work with DHS and stakeholders to examine the costs and benefits of consolidating the Department's and DHS' child care regulatory functions.

Department Response: The finding of the Auditor General is agreed to and a different method of dealing with the finding will be implemented.

Response explanation: ADES, other state and federal agencies, and stakeholders are currently, and will continue to, explore various methods and opportunities for aligning and partnering with the different child care provider regulatory agencies and functions throughout the state to better serve the provider and public.

**Recommendation 3.2:** The Department should document the process and results of its analysis to support its conclusions.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will document the process and results of the analysis to support its conclusions.

**Recommendation 3.3:** The Department should share any options to increase the efficiency and/or reduce or better manage fragmentation, overlap, and duplication identified during the analysis with relevant entities, including policymakers, as appropriate, regardless of its conclusions regarding consolidation, and document these communications.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES will share any options to increase the efficiency and reduce or better manage fragmentation, overlap, and duplication identified during the analysis with relevant entities including policymakers regarding consolidation. These communications will be documented.

**Recommendation 3.4:** If the Department determines that it would be worthwhile to pursue consolidation, it should take the next steps to move toward consolidation, including:

**Recommendation 3.4a:** Seeking the necessary approval to proceed with consolidation; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Once a decision has been made, if the Department determines that it would be worthwhile to pursue consolidation, ADES will pursue necessary approval to proceed with alignment, partnerships or consolidations by seeking the necessary approval.

**Recommendation 3.4b:** Working with stakeholders and the Legislature to develop and execute an implementation plan.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: If the Department determines that it would be worthwhile to pursue consolidation, ADES will work with stakeholders and the Legislature if needed to develop and execute an implementation plan

**Finding 4:** Department uses child care waiting list when funding is insufficient to meet the needs of all eligible families

**Recommendation 4.1:** The Department should complete its plans to standardize its process for determining when and how many children to release from the waiting list, including establishing a schedule for how frequently to conduct this process.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES is currently working to determine a standardized process for determining when and how many children to release from the waiting list, including a schedule for how frequently to conduct this process.

**Recommendation 4.2:** The Department should include its standardized process within its policies and procedures to ensure that staff know the steps to perform to determine when and how many children to release from the child care subsidy waiting list.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Once a standardized process is determined, ADES will include it within its policies and procedures to ensure that staff know the steps that should be performed to determine when and how many children to release from the waiting list.