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June 22, 2020

The Honorable Anthony Kern, Chair  
Joint Legislative Audit Committee

The Honorable Rick Gray, Vice Chair  
Joint Legislative Audit Committee

Dear Representative Kern and Senator Gray:

We have recently completed an initial followup of the Arizona Department of Health Services (Department) Performance Audit and Sunset Review regarding the implementation status of the 18 audit recommendations (including subparts of the recommendations) presented in the performance audit report released in September 2019 (Auditor General Report 19-112). As the attached grid indicates:

- 1 legislative recommendation has been implemented.
- 15 Department recommendations are in the process of being implemented.
- 2 Department recommendations have not been implemented.

We will conduct an 18-month followup with the Department on the status of those recommendations that have not yet been fully implemented.

Sincerely,  
Dale Chapman, Director  
Performance Audit Division

cc: Dr. Cara Christ, Director  
Arizona Department of Health Services

# Arizona Department of Health Services

## Auditor General Report 19-112

### Initial Follow-Up Report

Recommendation	Status/Additional Explanation
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**Finding 1: Department’s failure to investigate, or timely investigate or resolve, some long-term care facility complaints and self-reports may put residents at risk**

<p>1. The Department should ensure all long-term care facility complaints and self-reports are prioritized, investigated, and resolved in a timely manner by taking the following actions:</p> <ul style="list-style-type: none"> <li>a. Continue with its efforts to allocate new or reallocate existing staff to prioritize, investigate, and resolve long-term care facility complaints and self-reports on a full-time basis.</li> <li>b. Develop and implement a time frame for completing investigations and closing long-term care facility complaints and self-reports.</li> <li>c. Regularly update its policies and procedures to reflect changes in its current long-term care facility complaint and self-report investigation and resolution practices and CMS requirements.</li> </ul>	<p>The Department was in the process of making changes to help ensure all long-term care facility complaints and self-reports are prioritized, investigated, and resolved in a timely manner. However, on March 4, 2020, the Department received a directive from the federal Centers for Medicare and Medicaid Services (CMS) requiring state survey agencies, such as the Department, to focus their efforts on the most serious health and safety threats at long-term care facilities like infectious diseases and abuse. Therefore, the Department’s efforts at long-term care facilities have been focused on addressing the COVID-19 pandemic. For each recommendation, we provide information on the steps the Department was taking prior to the pandemic, and we will further assess its efforts to address the recommendations during our 18-month followup.</p> <p><b>Implementation in process</b> In September 2019, the Department created 2 new positions that it reported will be assigned exclusively to investigating long-term care facility complaints. During this followup, the Department reported that it had filled 1 of the positions and was recruiting for the second position.</p> <p><b>Implementation in process</b> The Department did not develop and implement a time frame for completing investigations and closing long-term care facility complaints and self-reports. However, the Department updated its complaint-handling policy in December 2019 to include a benchmark time frame by priority level for when long-term care facility complaints and self-reports should be closed, such as 30 business days for priority A complaints and self-reports and 40 business days for priority B complaints and self-reports, and stated that after complaints and self-reports are closed, it will review those that did not meet the benchmark time frame.</p> <p><b>Implementation in process</b> The Department revised its complaint-handling policies and procedures effective December 2019. The Department reported that it has a Department-wide policy requiring all policy and procedure documents to be reviewed every 3 years but did not provide a copy of that policy.</p>
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## Recommendation

## Status/Additional Explanation

d. Develop and implement additional bimonthly management reports to monitor whether and how quickly its long-term care facility complaints and self-reports are being prioritized, investigated, and resolved.

e. Ensure that any complaints and self-reports that are investigated during an annual survey or outside of the annual survey are initiated and investigated according to the time frames required by the assigned priority level.

### **Implementation in process**

The Department reported that it has developed and continues to refine weekly reports that provide management with better tools to monitor and track long-term care facility complaints and self-reports. The Department provided copies of 3 reports that it indicates are used weekly to monitor how quickly complaints and self-reports received since July 1, 2019, are prioritized, initiated for investigation, and resolved.

### **Implementation in process**

The Department reported that it was taking several steps to ensure complaints and self-reports are initiated and investigated according to the time frames required by the assigned priority level. In addition to developing some weekly monitoring reports (see explanation for Recommendation 1d), the Department reported restructuring the long-term care bureau, which is responsible for investigating long-term care facility complaints and self-reports. Specifically, the Department reported that instead of having each of its 3 supervisors perform a single function, such as complaint management or training, it has moved to a caseload approach whereby each supervisor would manage complaints for the long-term care facilities on his/her caseload. The Department reported that it believes this structure will achieve better efficiency.

2. The Legislature should consider forming a task force to study and propose policy options for addressing the Department's timely investigation and processing of long-term care facility complaints and self-reports to help ensure resident health and safety. Options to consider include establishing requirements for investigating all complaints and self-reports, appropriate time frames for conducting investigations of and closing out long-term care facility complaints and self-reports, and reporting performance metrics to the Legislature. Task force members should include appropriate stakeholders, such as legislators, Department representatives, Arizona Department of Economic Security representatives, industry members (i.e., long-term care facility owners or licensed administrators), patient advocates, and if appropriate a federal CMS representative. Legislation forming the task force should identify task force membership, its overall purpose and expected outcomes, and deadlines for reporting recommendations to the Legislature.

### **Implemented at 6 months**

During the 2020 regular legislative session, Senate Bill 1199 was introduced but not enacted. This bill would have created a long-term care facility task force to study and recommend policy and budget options for addressing the Department's timely investigation and processing of long-term care facility complaints and self-reports to ensure resident health and safety.

**Finding 2: Department did not comply with some conflict-of interest requirements**

3. The Department should continue its efforts to develop and implement a new conflict-of-interest disclosure process and form that will help it comply with the State's conflict-of-interest requirements and best practices, such as having public officials and employees annually disclose whether or not they have any substantial financial and/or decision-making conflicts, and train employees on how the State's conflict-of-interest requirements relate to their unique program, function, or responsibilities.

**Implementation in process**

The Department has continued to develop and implement a new conflict-of-interest disclosure process that will help it comply with State conflict-of-interest requirements and best practices. Specifically, the Department has formulated a policy that complies with the State's conflict-of-interest requirements and best practices. Although the Department's policy requires employees to consider whether or not they or their relatives have any substantial financial and/or decision-making conflicts, the form the Department has selected to use, which the Arizona Department of Administration's General Accounting Office developed, requires only consideration of and disclosure of financial interests and does not include consideration of decision-making conflicts. The Department indicated that it is in the process of developing training, which it expects to complete by September 30, 2020.

**Finding 3: Some gaps in Department IT security processes resulted in a security incident and additional IT security weaknesses**

4. The Department should develop and implement web application development policies and procedures that incorporate security into the development and modification process, including requirements for gathering security requirements, using up-to-date secure coding standards, performing threat modeling during development, reviewing source code, and performing security testing before releasing a web application to the live environment.

**Implementation in process**

The Department has begun developing draft Secure Coding Standards and a Project Management Framework that all developers will be required to use when developing or modifying Department web applications. However, the Department's standards and framework do not provide sufficient guidance on gathering security requirements, using secure coding standards, performing threat modeling, reviewing source code, or performing security testing. For example, the Department's standards do not provide guidance on how to ensure each newly developed or modified application is appropriately classified based on the data within that application. The Department hired a third-party company to perform penetration tests of 3 of its existing applications and also plans to have its own developers gain the skills and expertise to perform testing on all Department applications. The Department reported that it plans to complete and implement its Secure Coding Standards and Project Management Framework by the end of December 2020.

## Recommendation

## Status/Additional Explanation

5. The Department should require staff who are responsible for developing web applications to regularly receive role-based training on how to develop and maintain secure web applications.

### Implementation in process

The Department has developed a training plan that will require all developers to complete role-based training on how to develop and maintain secure web applications by the end of 2020. However, the Department reported that it has not yet finalized the selection, content, or form of training classes that developers will be required to complete. In addition, although the Department indicated that newly hired developers will receive security training during the onboarding process and that it will require developers to complete refresher courses on a regular basis, the Department has not yet defined the frequency of these refresher courses.

6. The Department should develop and implement revised data classification policies and procedures that provide guidance on how to classify its data; require developing a data classification inventory that is updated regularly; specify requirements for protecting data based on its level of risk; and establish processes for handling confidential data, such as ensuring that only approved devices process confidential data.

### Implementation in process

The Department updated its data classification policy in October 2019 and its access controls policy in November 2019. In addition, the Department created a draft procedure that contains information on assigning data classification to assets, developing a data classification inventory that is updated regularly, and specifying requirements for protecting data based on its level of risk. However, these policies and procedures do not provide guidance on how the Department's confidential data should be processed on approved devices. The Department has also created an inventory document and has started to categorize all its data sets at the application/system level but has not completed the inventory/categorization of other data such as network data. The Department stated it plans to finalize its policies and procedures, complete the data inventory, and implement this recommendation by December 2020.

7. The Department should conduct a formal Department-wide risk assessment at least annually, as required in its risk assessment policy and procedures, to evaluate, document, and prioritize the areas in the Department's IT environment with the highest security risks.

### Implementation in process

Although the Department has not yet conducted a formal Department-wide risk assessment, it has created a new risk assessment form for conducting a risk assessment, documenting the results, and prioritizing the areas in the Department's IT systems with the highest security risks. The Department stated that it plans to update its risk assessment policy and procedures to provide guidance on using its new risk assessment form and complete a Department-wide risk assessment by the end of March 2021.

## Recommendation

## Status/Additional Explanation

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| 8. The Department should develop and implement a revision to its risk assessment policy and procedures to include categorizing the Department's information based on the likelihood of risk and magnitude of harm as required by ASET policy.  | <b>Implementation in process</b><br>Although the Department has not yet revised its risk assessment policy and procedures to include categorizing the Department's information based on the likelihood of risk and magnitude of harm as required by ASET policy, the Department has created an inventory document and begun categorizing its application-/system-level data based on risk. The Department reported that it plans to revise and implement its risk assessment policy and procedures by the end of December 2020.   |
| 9. The Department should develop and implement revised security awareness training policies and procedures that include a process for ensuring employees and contractors comply with annual basic security awareness and HIPAA training requirements and acceptable use attestations; specify the role-based training that is required based on employees' and contractors' responsibilities; explain how it will implement its security awareness program; describe the topic areas that its security awareness training classes should cover; and specify how it will communicate security awareness training throughout the year. | <b>Implementation in process</b><br>For its basic security awareness training and its acceptable use attestations, the Department developed a compliance tracking procedure in November 2019 that requires a Department team to run monthly compliance reports showing employees who completed training, send reminder emails to employees for upcoming training, and retain a record of reminders sent. The Department reported that it began using this process in January 2020. However, the Department has not yet updated its policies and procedures to include a process for ensuring contractors comply with annual training requirements, specify required role-based training, explain how it will implement its security awareness program, and describe the topic areas that the training classes should cover. |
| 10. The Department should continue with its plans to develop and implement role-based training.  | <b>Implementation in process</b><br>The Department has started developing a role-based training matrix that will list the required trainings and frequency of these trainings for each role. The Department reported that it plans to have all role-based trainings defined by December 2020 and all trainings completed by staff by the end of June 2021.  |

## Sunset Factor #2: The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

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| 11. The Department should continue using the electronic grants management system, and ensure that, for all future grant evaluations conducted using this system, its grant evaluations clearly indicate whether grant applicants complied with all evaluation criteria and that all evaluation factors are included in the grant solicitation. | <b>Implementation in process</b><br>The Department is in the process of awarding 2 grants using the electronic grants management system. The Department included the evaluation criteria in the grant instructions for these 2 grants and reported that it was in the process of evaluating grant applications as of June 2020. We will review whether its evaluation of these grant applications determined that the applicants complied with all evaluation criteria during our 18-month followup. |
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**Recommendation****Status/Additional Explanation****Sunset Factor #5: The extent to which the Department has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.**

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| 12. The Department should develop and implement policies, procedures, and training to help guide the boards, commissions, and councils it supports; and its staff members' compliance with open meeting law requirements.  | <b>Not implemented</b><br>The Department reported that it was in the early stages of developing policies, procedures, trainings, and guides related to open meeting law requirements to help guide the boards, commissions, and councils it supports; and its staff members' compliance with open meeting law requirements. However, the Department was unable to provide documentation demonstrating its efforts because its staff were involved in responding to the COVID-19 pandemic.   |
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| 13. The Department should develop and implement an oversight process to ensure that the boards, commissions, and councils it supports comply with open meeting law requirements.   | <b>Not implemented</b><br>The Department reported that it was in the early stages of developing an oversight process to ensure the boards, commissions, and councils comply with open meeting laws. However, the Department was unable to provide documentation demonstrating its efforts because its staff were involved in responding to the COVID-19 pandemic.   |
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| 14. The Department should update its website to include a conspicuously posted statement indicating the location for all electronic and physical postings of public meeting notices and a complete and accurate listing of all the entities that are subject to open meeting law along with information about their purposes and where to locate information about these entities' public meetings, such as agendas and minutes. | <b>Implementation in process</b><br>The Department updated its website to include a statement indicating the location for all electronic and physical postings of public meeting notices. This statement is within the footer of each webpage. However, due to staff's involvement in responding to the COVID-19 pandemic, the Department was not able to provide documentation demonstrating the steps it had taken to ensure its website has a complete and accurate listing of all entities that are subject to open meeting law along with information about their purposes and where to locate information about these entities' public meetings, such as agendas and minutes. |
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