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AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

December 19, 2007

The Honorable Robert Blendu, Chair
Joint Legislative Audit Committee

The Honorable John Nelson, Vice Chair
Joint Legislative Audit Committee

Dear Senator Blendu and Representative Nelson:

Our Office has recently completed a 36-month followup of the Department of Economic Security—Welfare Programs regarding the implementation status of the 17 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in April 2004 (Auditor General Report No. 04-02). As the attached grid indicates:

- 15 have been implemented, and
- 2 are in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the April 2004 performance audit report.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

MMC:Acm
Attachment

cc: Tracy Wareing, Director
Department of Economic Security

DEPARTMENT OF ECONOMIC SECURITY
Welfare Programs
36-Month Follow-Up Report To
Auditor General Report No. 04-02

FINDING 1: Department should ensure proper oversight of Privatized Jobs Program

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The Department should include performance measurements, such as the federal work participation rate and job retention, in the new RFP. The Department should also assess liquidated damages for vendor deficiencies as determined by the Department.	Implemented at 18 Months	
2. The Department should ensure that staff who will perform contract management functions receive training targeted toward contract compliance, performance, and fiscal monitoring. The Department should identify resources that could prove helpful in designing and teaching these classes, and develop its curriculum.	Implemented at 18 Months	
3. The Department should develop a training plan so that contractors and their employees are aware of necessary policies concerning case documentation, JAS input, and other matters. The Department should monitor that such training takes place.	Implemented at 12 Months	

DEPARTMENT OF ECONOMIC SECURITY
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FINDING 1: Department should ensure proper oversight of Privatized Jobs Program (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
4. The Department should implement its newly developed plans to monitor contract compliance beginning with the monitoring review of Arizona Works in April 2004.	Implemented at 12 Months	
5. The Department should ensure that data is secure and accurate by doing the following:		
a. Define and require minimum security standards for contractors, allowing for variation according to assessed risk;	Implemented at 36 Months	
b. Require security audits or evaluations of contractors, possibly requiring contractors to procure an independent firm to perform the audit;	Implemented at 36 Months	
c. Require contractors to formulate policies that the Department would approve, such as log access review, incident report alerts, limiting access to cases and screens as appropriate, and inventory listing;	Implemented at 36 Months	

DEPARTMENT OF ECONOMIC SECURITY
Welfare Programs
36-Month Follow-Up Report To
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FINDING 1: Department should ensure proper oversight of Privatized Jobs Program (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
d. Modify JAS to include the ability to maintain access logs;	Implemented at 36 Months	
e. Monitor access logs and complete incident reports from such monitoring and require the contractor to do the same;	Implemented at 36 Months	
f. Require contractor employees to undergo annual security awareness training, possibly using a computer-based approach already developed by the DCSE; and	Implemented at 36 Months	
g. Review compliance with the security requirements after the initial contract is awarded and on an ongoing basis thereafter.	Implementation in Process	Contracts were awarded in July 2007 and transition to the private companies was completed in October 2007. The contracts have not been in place long enough to assess compliance with the security requirements.

DEPARTMENT OF ECONOMIC SECURITY
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Auditor General Report No. 04-02

FINDING 2: Department can more effectively manage its food stamp eligibility determination process

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The Division should continue its efforts to ensure that supervisors review the required number of case files by monitoring the monthly case review reports, identifying local offices that are unable to meet the monthly quotas, and taking steps to improve these offices' performance. In addition, the Division should identify local offices that have established effective procedures for conducting consistent case file reviews and share these procedures with all offices.	Implemented at 18 Months	
2. The Division should continue its efforts to improve its process for communicating policy changes to local office staff. Specifically, the Division should continue its efforts to update its policies and procedures. It should also continue its efforts to identify local offices that have developed effective processes for communicating policy changes to their staff and should share these processes with all offices.	Implemented at 6 Months	

DEPARTMENT OF ECONOMIC SECURITY
Welfare Programs
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Auditor General Report No. 04-02

FINDING 2: Department can more effectively manage its food stamp eligibility determination process (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. The Division should continue its efforts to develop a training program for local office managers. The Division should ensure that the curriculum for this program includes classes on time and employee management, report use and management, and balancing increasing caseloads with reduced staff.	Implemented at 6 Months	

DEPARTMENT OF ECONOMIC SECURITY
Welfare Programs
36-Month Follow-Up Report To
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FINDING 3: Department should improve management of its benefit overpayment referrals process

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. The Division should continue to assess its staffing and, as resources permit, it should continue to assign extra staff to help address the overpayment backlog.	Implemented at 6 Months	
2. To standardize its process for managing overpayment referrals, the Division should continue its efforts to implement an automated system for tracking and reporting overpayment referrals and claims, including the reasons referrals are not pursued.	Implemented at 6 Months	
3. To help the Department collect more overpayments by limiting the number of overpayment referrals that are dropped due to inaccessible case files, the Division should continue its efforts to implement an electronic document-scanning system.	Implementation in Process	The Department has implemented scanning in 24 offices and has plans for implementing it in the remaining offices by the end of fiscal year 2008, subject to available funding.