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April 4, 2019

The Honorable Rick Gray, Chair
Joint Legislative Audit Committee

The Honorable Anthony Kern, Vice Chair
Joint Legislative Audit Committee

Dear Senator Gray and Representative Kern:

Our Office has recently completed a 24-month followup of the Arizona Department of Economic Security—Child Care Services regarding the implementation status of the 38 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in February 2017 (Auditor General Report 17-103). As the attached grid indicates:

- 29 have been implemented.
- 3 are in the process of being implemented.
- 2 are no longer applicable.
- 4 have not been 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 February 2017 performance audit report.

Sincerely,
Dale Chapman, Director
Performance Audit Division

cc: Michael Traylor, Director
Arizona Department of Economic Security

Arizona Department of Economic Security— Child Care Services Auditor General Report 17-103 24-Month Follow-Up Report

Recommendation

Status/Additional Explanation

Finding 1: Department should strengthen its child care monitoring

- | | |
|---|---|
| <p>1.1 The Department should implement a differential monitoring approach to more effectively and efficiently monitor its providers. This will require that the Department:</p> <ul style="list-style-type: none"> a. Explore the various approaches to differential monitoring and select the best approach for Arizona certified child care providers; b. 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; c. 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; d. Train all inspectors on the differential monitoring approach and guidance documents; and e. 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 adjustments should be made. | <p>Implemented at 6 months</p> <p>Implemented at 6 months</p> <p>Implemented at 24 months</p> <p>Implemented at 24 months</p> <p>Implementation in process
The Department conducted 2 meetings in 2018 to discuss its differential monitoring approach, including how to assess this approach. The Department determined that it would assess its differential monitoring approach annually beginning in June 2019. At that time, it will determine what the assessment will examine and how to adjust the program, if needed.</p> |
| <p>1.2 The Department should develop and implement a structured training program to help ensure new inspectors receive adequate and consistent training that includes:</p> <ul style="list-style-type: none"> a. A structured curriculum that covers the Department's child care regulations, policies, procedures, program standards, and the developmental needs of children regulated by the Department. The curriculum should include a mix of classroom, independent study, shadowing, and mentoring; | <p>Implemented at 24 months</p> |

Recommendation	Status/Additional Explanation
<ul style="list-style-type: none"> b. 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; c. 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 the tasks and exercises have been completed; and d. A process for tracking the status of inspectors' progress and completion of the initial inspector training content that is maintained by a supervisor or a training coordinator. 	<p>Implemented at 24 months</p> <p>Implemented at 24 months</p> <p>Implemented at 24 months</p>
<p>1.3 The Department should enhance its rules and policies manual to help ensure inspectors consistently perform inspections by:</p> <ul style="list-style-type: none"> a. Establishing and implementing a schedule for routinely reviewing and updating its policies to ensure they reflect current regulations and practices; b. 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 c. Ensuring that all inspectors are aware of any revisions made to its rules and policies manual. 	<p>Implemented at 24 months</p> <p>Implemented at 24 months</p> <p>Implemented at 6 months</p>
<p>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.</p>	<p>Implementation in process In July 2018, the Department began using a revised case-read process and tools. The Department indicated that it is still in the process of modifying one of its tools and has not yet revised its process to conduct case reads for only a sample of inspections.</p>
<p>1.5 The Department should improve the reliability of its data 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 regular reviews of data quality.</p>	<p>Implemented at 6 months</p>
<p>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.</p>	<p>Not implemented Although the Department has taken steps to improve the consistency of its inspections by enhancing the guidance on its inspection checklists, it has not developed and implemented a uniform process for conducting inter-rater comparisons.</p>

Recommendation**Status/Additional Explanation**

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 child care processes.

Implemented at 6 months

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

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 complaints will be handled. Specifically, the Department should:

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

Implemented at 6 months

b. 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

Implemented at 24 months

c. Assign specific staff to receive and process complaints.

Implemented at 6 months

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:

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

Implemented at 24 months

b. Ensure that its planned 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

Implemented at 24 months

Recommendation**Status/Additional Explanation**

c. Ensure that the complaint information it is capturing in AzCCATS is sufficient for allowing it to monitor 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.

Implemented at 24 months

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.

Implemented at 24 months

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:

a. 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

Implemented at 24 months

b. 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.

Implemented at 24 months

Recommendation

Status/Additional Explanation

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

- a. 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;
- b. 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
- c. 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.

Implemented at 24 months

Implemented at 24 months

Implementation in process

The Department developed policies and procedures for reviewing complaint outcomes, identifying trends, and taking necessary actions based on the trends identified. The policies and procedures identify the specific information that should be analyzed, such as the number and types of complaints received, and the process for implementing changes based on identified trends, such as providing additional training to providers. However, because the Department began tracking this information at the beginning of fiscal year 2019, additional time will be needed to identify trends and determine whether it should take any actions based on the trends identified.

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

- a. Develop and implement training that covers the entire complaint-handling process from intake to resolution and also incorporates the changes identified in this audit;
- b. Provide this complaint-handling training to all staff who handle complaints directly; and
- c. Provide general training about the overall complaint-handling process to all staff within the child care program, including how complaints can be filed and an overview of the Department's policies and procedures for handling complaints.

Implemented at 24 months

Implemented at 24 months

Implemented at 24 months

Recommendation**Status/Additional Explanation****Finding 3: Department should examine costs and benefits of consolidating child care regulation under one agency**

3.1 The Department should work with DHS and stakeholders to examine the costs and benefits of consolidating their child care regulatory functions.	Not implemented The Department, in conjunction with DHS and other stakeholders, concluded that it would be in the State's best interest to maintain the existing separation of the Department's and DHS' regulatory responsibilities for child care providers. It reported that the types of providers and child care settings regulated by the Department and DHS are significantly different and do not overlap. However, this conclusion was not based on an analysis of the costs and benefits of consolidation and did not account for the many similarities in the regulatory responsibilities of the two agencies such as processing applications for certification/licensure, conducting compliance reviews, taking enforcement action, training regulatory staff, aligning requirements and procedures, etc. Instead, the primary consideration was that the two agencies regulate different populations of child care providers.
3.2 The Department should document the process and results of its analysis to support its conclusions.	Not implemented Although the Department documented the process and results of its analysis, as indicated in the explanation for Recommendation 3.1, its conclusion was not based on a cost-benefit analysis.
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.	Not implemented The Department did not provide support that its conclusions were shared with other relevant parties and stakeholders.
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: a. Seeking the necessary approval to proceed with consolidation; and b. Working with stakeholders and the Legislature to develop and execute an implementation plan.	No longer applicable Although the Department did not consider the costs and benefits of consolidation, the Department concluded it was not in the State's best interest to consolidate the child care provider regulatory responsibilities of the Department and DHS (see explanation for Recommendation 3.1). No longer applicable See explanation for Recommendation 3.4a.

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

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.

Implemented at 24 months

4.2 The Department should include its standardized process 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 child care subsidy waiting list.

Implemented at 24 months
