

Arizona Department of Economic Security

Division of Developmental Disabilities

Division should establish minimum qualification requirements for its contractors that train and monitor developmental home licensees and establish a process for overseeing these contractors

Performance Audit

September 2017
Report 17-109

A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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September 19, 2017

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Mr. Michael Traylor, Director
Arizona Department of Economic Security

Transmitted herewith is a report of the Auditor General, *A Performance Audit of the Arizona Department of Economic Security (Department)—Division of Developmental Disabilities*. This report is in response to an October 22, 2014, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the Department agrees with all of the findings and plans to implement all of the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Debbie Davenport
Auditor General

Attachment



Arizona Department of Economic Security Division of Developmental Disabilities

CONCLUSION: The Arizona Department of Economic Security's Division of Developmental Disabilities (Division) provides diverse services to individuals with developmental disabilities, called "members," based on their eligibility and regulates service providers and community residential settings, including child and adult developmental homes that provide 24-hour care for its members. The Division primarily relies on contractors, called monitoring agencies, to help fulfill its statutory responsibilities to license developmental homes and monitor them for compliance with administrative rules. We found that although monitoring agencies complete the Division's qualified vendor process, this process may not ensure that monitoring agencies and their staff are qualified to fulfill their responsibilities. Additionally, the Division lacks a process for overseeing its monitoring agencies due to several factors, including not clearly defining monitoring agencies' responsibilities and requirements and lacking policies and procedures that direct oversight activities. Therefore, the Division should establish minimum qualification requirements for its monitoring agencies and take several steps to establish a process for overseeing them.

Division serves individuals with developmental disabilities and regulates service providers and community residential settings

As of December 2016, the Division provided services to more than 38,000 members. To be eligible for division services, the primary requirement is that the member must have a severe, chronic disability that is attributable to a cognitive disability, cerebral palsy, epilepsy, or autism. All members receive case management services, and the Division offers various other services to members depending on whether the severity of their disability and their or their family's financial limitations make them eligible for these services, including: home- and community-based services, such as housekeeping, occupational therapy, and hospice care; medical care services; and residential services. In addition, the Division is responsible for helping to regulate community residential settings, including licensing child and adult developmental homes, which are private homes where the homeowner(s) or lessee(s) are licensed to provide 24-hour care for up to three members residing in the home.

Division should establish minimum qualifications for contractors that train and monitor developmental home licensees

Division uses contractors to oversee developmental home licensees—The Division uses contractors, called monitoring agencies, to help ensure that developmental home licensees meet administrative rule requirements for licensure and annual license renewal by ensuring the applicant(s)/licensee(s) receive the required training and by conducting the required home visits. Monitoring agencies also conduct comprehensive evaluations of developmental home applicants/licensees each year, called home studies, which cover 24 diverse areas including any experience that supports working with vulnerable populations, employment, and the stability of family relationships; and make recommendations to the Division for issuing and renewing the developmental home licenses. Monitoring agency applicants must contract with the Division as a qualified vendor and meet various requirements, such as submitting to a Central Registry background check through the Arizona Department of Child Safety that looks for substantiated instances of child abuse and/or neglect and submitting internal policies for division review. As of May 2017, the Division contracted with 40 monitoring agencies that worked with more than 1,100 licensed child and adult development homes serving more than 1,400 members.

Division lacks basic qualification requirements for monitoring agencies—Division staff indicated that the qualified vendor process does not require monitoring agency applicants or their staff to meet any initial minimum education or experience requirements or to subsequently complete annual training requirements. By not requiring monitoring agencies' staff to meet any basic qualification requirements, some monitoring agencies may have difficulty adequately fulfilling key responsibilities. For example, one monitoring agency we reviewed submitted two incomplete initial and two incomplete renewal developmental home license applications during April through June 2017. Missing

information included available phone service in the home, documentation of the licensee completing the required training hours, and important details in home studies. Division staff indicated that, similar to our review, some other monitoring agencies have demonstrated repeated difficulty completing the annual home study. As a result, the Division may be at risk for not receiving a comprehensive and accurate assessment of the developmental home licensees' qualifications and/or the homes where its members reside.

Division should establish minimum qualification requirements for monitoring agencies—To better ensure that monitoring agencies are qualified to help developmental home applicants meet licensure requirements and ensure their continued compliance with these requirements, the Division should establish minimum qualification requirements for monitoring agency applicants and, as applicable, their staff. Specifically, the Division should establish and coordinate a work group to develop specific education and/or experience requirements and annual training requirements for monitoring agencies and their staff.

Recommendation

The Division should establish and coordinate a work group to develop minimum qualification and annual training requirements for monitoring agency applicants and their staff, and should develop and implement a policy that incorporates these requirements.

Division lacks process for overseeing its contractors that train and monitor developmental home licensees

Division does not conduct oversight activities of monitoring agencies—The Division issues and renews developmental home licenses based largely on the information that the monitoring agencies enter into the Division's licensing database. Monitoring agencies enter information into this database, such as home visit details, home study information, and licensee training information, to help document that developmental home applicants and licensees have complied with and remain in compliance with licensing requirements. However, the Division does not verify the accuracy of this information by conducting onsite visits to observe monitoring agency activities or by reviewing supporting documentation. Additionally, the Division does not generate database reports to track and analyze whether monitoring agencies fulfill all contractual requirements adequately and in a timely manner. Further, the Division does not regularly take enforcement actions, including using corrective action plans, to address monitoring agencies' performance issues. We reviewed licensee files at three monitoring agencies and identified examples of how the Division's lack of oversight may affect its ability to ensure member welfare. For example, one monitoring agency lacked signed documentation to support that it had conducted any of the required home visits that it entered in the Division's licensing database prior to a developmental home's most recent license renewal. Another monitoring agency had not conducted an unannounced visit at a developmental home licensee as required by administrative rule before recommending that the Division renew this developmental home's license.

Division lacks process for overseeing its monitoring agencies for several reasons—The Division does not have a process for overseeing its monitoring agencies because of several factors. These include not clearly defining monitoring agencies' responsibilities and requirements in its qualified vendor agreement, providing limited standardized guidance to the monitoring agencies on fulfilling these requirements, and not establishing policies and procedures for overseeing monitoring agencies.

Therefore, the Division should clearly define the monitoring agencies' responsibilities in its qualified vendor agreement, develop and provide standardized forms and other guidance to assist monitoring agencies in fulfilling these responsibilities, and develop and implement policies and procedures for overseeing the monitoring agencies.

Recommendations

The Division should:

- Develop and implement a policy that clearly defines monitoring agency roles, responsibilities, and requirements, and incorporate the policy into its qualified vendor agreement;
- Develop and provide standardized guidance to assist monitoring agencies in performing their responsibilities; and
- Develop and implement policies and procedures to guide and direct its staff in conducting oversight activities of its contracted monitoring agencies.



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Scope and objectives

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security (Department)—Division of Developmental Disabilities (Division), pursuant to an October 22, 2014, resolution of the Joint Legislative Audit Committee. This audit is the fourth in a series of five audits conducted as part of the sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq. It examines the qualification requirements for the contracted monitoring agencies that the Department uses to train and monitor developmental home licensees who provide a residential setting for individuals with developmental disabilities and the Department's oversight of these contracted monitoring agencies. The first audit addressed the Department's processes for managing its Vocational Rehabilitation Services Program's rehabilitation service costs and clients' progress, while the second audit addressed the Department's child care provider monitoring and complaint-handling processes. The third audit addressed the effectiveness of department processes for safeguarding its Information Technology systems and the data contained in them. The remaining audit will provide responses to the statutory sunset factors.

Division serves individuals with developmental disabilities

In fulfilling its mission (see textbox), as of December 2016, the Division provided services to more than 38,000 eligible individuals with developmental disabilities, referred to as "members." To be eligible for division services, the primary requirement is that the member must have a severe, chronic disability that is attributable to a cognitive disability, cerebral palsy, epilepsy, or autism (see textbox on page 2 for additional eligibility information).¹

Division's mission

"To provide to individuals with developmental disabilities and their families necessary services and supports that are flexible, high quality, and member-driven. To afford individuals opportunities to exercise their rights and responsibilities of independent decision-making and engagement in the community."

Source: Division's 2016-2020 strategic plan.

Division provides diverse services to individuals based on their eligibility

The Division provides case management to all members and offers various other services to members depending on whether the severity of their disability and financial limitations make them eligible for these services. All members receive assistance from a division support coordinator, which is similar to a case manager, who assesses their needs and, depending on the member's eligibility level, assists the member to obtain appropriate services.² As of August 2016, the Division reported that it had a network of service providers that included approximately 500 agencies and nearly 1,800 individual contractors to deliver services to members. Services can include:

¹ A.R.S. §36-551 defines members' developmental disabilities. Specifically, a cognitive disability is a condition that involves subaverage general intellectual functioning that exists concurrently with deficits in adaptive behavior manifested before the age of 18. Cerebral palsy is a permanently disabling condition resulting from damage to the developing brain that may occur before, after, or during birth and that results in loss or impairment of control over voluntary muscles. Epilepsy is a neurological condition characterized by abnormal electrical-chemical discharge in the brain. This discharge is manifested in various forms of physical activities called seizures. Autism is a condition characterized by severe disorders in communication and behavior resulting in limited ability to communicate, understand, learn, and participate in social relationships.

² Support coordinators work with members to assess and advocate for the members' needs, authorize needed services based on state and/or federal guidelines, promote access to community resources, and help monitor members' progress toward reaching member-identified goals.

Primary eligibility requirement for receiving division services

To qualify for division services, an individual must have a severe, chronic disability that:

- Is attributable to a cognitive disability, cerebral palsy, epilepsy, or autism;
- Is manifested before the age of 18 and is likely to continue indefinitely;
- Results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and
- Reflects the need for a combination and sequence of individually planned or coordinated special, interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration.

A child under the age of 6 may be eligible to receive division services if there is a strongly demonstrated potential that the child has or will have a developmental disability as determined by appropriate tests.

Source: Auditor General staff analysis of A.R.S. §36-551.

- **Home- and community-based services (HCBS)**—The Division contracts with service providers to provide several services and long-term care support to eligible members in their homes or the community to address their developmental needs. Administrative rule identifies 16 HCBS available to members, including housekeeping, transportation, occupational therapy, and hospice care (see page 4 for information about how HCBS providers are certified).³ In addition, members can receive day treatment and training, which may include training and support to promote skill development in independent living, self-care, communication, and social relationships. Other services include physical therapy and speech therapy. Further, members can receive support preparing for and finding employment. Members' families can also receive respite services, where a qualified caregiver temporarily supervises the member while family members are out of the home.
- **Residential services**—The Division is required by statute to directly provide and contract with service providers to provide appropriate residential services in settings that provide members with regular assistance and supervision.⁴ Although approximately 88 percent of members reside at their family's or own home, the Division ensures housing is available for members who cannot live at home. For example, over 11 percent of members live in community residential settings, which are referred to as group homes and developmental homes (see pages 4 through 5 for more information about these homes and the services provided in them). In some limited cases, members require additional care and may live in other residential or institutional settings, such as nursing facilities, where more supervision, nursing, or medical care may be provided by the Division in state-operated settings or by contractors. Figure 1 on page 3 shows where members live by type of residence.
- **Medical care services**—The Division or the Arizona Health Care Cost Containment System (AHCCCS), which is the State's Medicaid agency, contracts with health plans to provide medical care services to eligible members.⁵ Each member eligible for medical services selects a primary care provider (PCP) that coordinates the member's healthcare. The PCP approves the member's medical services, and only medically necessary services and equipment are provided. For example, members may receive medical equipment such as wheelchairs and ventilators, if deemed necessary.

Members are eligible to receive services depending on the severity of their disability and their or their family's financial limitations. Members are eligible for services through one of the following three categories:

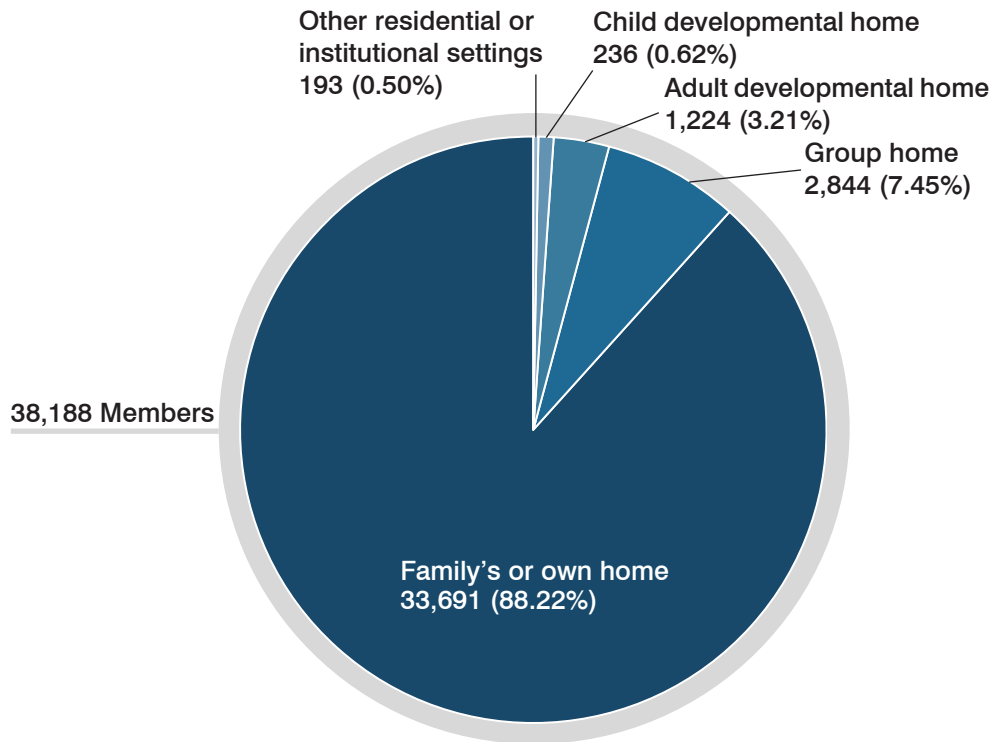
- **Arizona Long Term Care System (ALTCS)**—Most members are eligible to receive services through ALTCS. This program is part of the State's Medicaid program, which is administered by AHCCCS and jointly

³ See Arizona Administrative Code (AAC) R6-6-1501 for a full list of HCBS services.

⁴ See A.R.S. §36-554(A)(1)(c).

⁵ Medical services consist of acute medical care, such as surgery, dialysis, emergency services, hospital services, immunizations, laboratory services, radiology and medical imaging, and rehabilitation therapy.

Figure 1
Number of members living in each residence type
As of December 31, 2016
(Unaudited)



Source: Auditor General staff illustration of department data.

funded by the federal and state governments. To be eligible for ALTCS, members must have certain functional limitations, be at risk for institutionalization, and meet income and asset limitation requirements. AHCCCS contracts with the Division to provide ALTCS services to eligible members. These members are eligible for the full array of division services such as HCBS, residential services, and medical care services. ALTCS members who receive residential services may be required to pay some portion of the cost for these services based on their income.

- Targeted Support Coordination (TSC)**—Members who are not eligible for ALTCS because they do not meet certain functional limitations may still be eligible to receive services through TSC. To be eligible for TSC, members must meet income limitation requirements and be enrolled in an AHCCCS acute care health plan. Members who receive federal Supplemental Security Income (SSI) are automatically eligible for AHCCCS acute care benefits and the Division's TSC program.⁶ TSC members receive case management services from the Division and medical services through their AHCCCS acute care health plan, but they do not receive HCBS unless state funding is available to pay for these services.⁷ Division staff indicated that HCBS have not been provided to new TSC members since 2009 because state monies have not been appropriated for these services.

⁶ SSI is a federal income supplement program administered by the Social Security Administration but funded by the U.S. Treasury General Fund. It is designed to help aged, blind, and disabled people who have little or no income.

⁷ TSC and state-only eligible members who are under 3 years of age and meet eligibility requirements for the Arizona Early Intervention Program (AzEIP) receive AzEIP intervention services, such as speech therapy to assist in the child's growth and development. AzEIP is funded by both state and federal monies.

- **State-only funded services**—Members who do not meet income, asset, and functional limitation requirements for ALTCS or income requirements for TSC, but have a qualifying chronic disability (see textbox, page 2) may receive state-only funded services. Specifically, these members will be assigned a case manager who will provide assistance, such as referrals to community providers that may help the member continue to remain self-sufficient for as long as possible. State-only members do not receive medical services through the Division or through AHCCCS. In addition, state-only members do not receive HCBS unless state funding is available to pay for these services (see footnote 7, page 3, for more information). Division staff indicated that HCBS have not been provided to new members receiving state-only funded services since 2009 because state monies have not been appropriated for these services.

According to division information, as of December 31, 2016, 78.6 percent of the Division’s members were enrolled in ALTCS, 11.9 percent received TSC services, and 9.5 percent received state-only funded services.

Division’s service providers and community residential settings are regulated

Arizona law requires the Division to certify individuals and agencies that provide HCBS to members. Applicants for HCBS certification must meet specific requirements outlined in administrative rule such as clearing a fingerprint-based criminal history record check, taking CPR training, and providing letters of reference and applicable work experience and education. If HCBS providers deliver services in their own facility, such as a day treatment provider who offers training, supervision, therapeutic activities, or support, the Division and a fire department or division-approved inspectors must complete safety and fire inspections of the facility prior to the provision of services. The safety inspection focuses on areas such as the facility’s general appearance and cleanliness, heating and cooling, ventilation, lighting, safety hazards, swimming pools, yard, and the storage of toxic materials and medicines. HCBS-certified providers must renew their certification with the Division annually and pass the fire inspection every 2 years after initial certification.

The Division is also responsible for helping to regulate community residential settings. A community residential setting is a private home where members live and are provided with appropriate supervision by a service provider responsible for the home’s operation. There are two types of community residential settings—group homes that the Division registers and developmental homes that the Division licenses. Specifically:

- **Group homes**—Group homes are residential homes operated by 24-hour paid staff where up to six members live. As of May 2017, there were more than 1,000 group homes in Arizona. Members who live in group homes may receive personal assistance, medically necessary services, or other HCBS as needed. For example, a member may receive occupational therapy, speech therapy, or nursing care at the group home. Statute and administrative rule requires the Arizona Department of Health Services (DHS) to license group homes.⁸ Prior to a member being placed in a group home, the home must receive a license by passing a DHS inspection to ensure it meets requirements such as emergency procedures and evacuation drills, fire safety, physical plant, environmental, vehicle safety, and swimming pool requirements. Group homes must renew the DHS-issued license every 2 years, which includes a subsequent DHS inspection.

Individuals or agencies that operate group homes are HCBS certified by the Division to provide personal care and any other HCBS needed by members living in the group homes (see above for certification requirements). In addition, after DHS issues a license to a group home, the Division must register the group home location with AHCCCS pursuant to a requirement in the Division’s ALTCS contract with AHCCCS. Each group home location is provided a unique AHCCCS registration number, and according to AHCCCS, this registration helps AHCCCS comply with federal requirements.

- **Developmental homes**—Child developmental homes and adult developmental homes are private homes where the homeowner(s) or lessee(s) are licensed to provide 24-hour care for up to three members. The developmental home license the Division issues is attached to both the homeowner or lessee and the home

⁸ A.R.S. §36-132(A)(21) and AAC R9-33-101 et seq.

setting in which they currently reside, and the license is not transferrable to another setting. As of May 2017, there were more than 1,100 licensed developmental homes in Arizona. Licensees provide room and board, personal care, and supervision to the member(s) living in their home. Statute requires the Division to license developmental homes, which includes conducting a safety inspection of the premises.⁹ The initial licensing process also involves ensuring that applicants meet specific requirements outlined in administrative rule, such as being fingerprinted for a criminal history record check, obtaining a physician's statement indicating whether adults residing in the home have any medical or emotional problems that would prevent them from caring for members in the home, and completing several trainings such as CPR and first aid.¹⁰ Developmental home licenses must be renewed annually, which involves licensees completing a minimum of 10 hours of training and receiving at least three home visits. In addition, every 3 years, the home must be inspected for safety, and the licensee and household members must have a criminal history record check and physician's statement, similar to the initial licensure requirements.

The Department primarily relies on contractors, called monitoring agencies, to help fulfill its statutory responsibilities to license developmental homes and monitor them for compliance with the Division's administrative rules. Specifically, monitoring agencies are responsible for helping to ensure that licensees meet administrative rule requirements for licensure and annual license renewal by ensuring the applicants/licensees receive the required training and by conducting the required home visits. In addition, monitoring agencies make recommendations to the Division for issuing and renewing developmental home licenses when applicants/licensees have met requirements for licensure. Because the Division relies on the monitoring agencies to help oversee developmental home licensees, it typically does not have frequent contact with developmental homes after the license is issued.¹¹ Therefore, monitoring agencies serve a very important role as the primary point of contact for developmental home applicants/licensees who may have questions, concerns, or complaints. Finally, one of the monitoring agencies' key responsibilities is to conduct what the Division refers to as a home study. The home study, conducted prior to licensure and annually thereafter, is a comprehensive evaluation of the applicant(s)/licensee(s) that covers 24 diverse areas, including any experience the applicant(s)/licensee(s) have that supports their understanding of working with vulnerable populations, employment, income, and the stability of family relationships (see Appendix A, pages a-1 through a-4, for more information on the home study). As of May 2017, the Division had contractual agreements with 40 monitoring agencies to help ensure a safe and healthy living arrangement that meets the physical and emotional needs of members living in developmental homes. See Findings 1 and 2 (pages 9 through 23) for additional information regarding monitoring agencies.

Division organization and staffing

The Division is overseen by an assistant director and as of May 2017, had 2,042 filled full-time equivalent (FTE) positions to carry out the Division's mission. The majority of staff, 1,615.5 FTE, were involved in providing support coordination or other services directly to members. The remaining 426.5 FTE performed various administrative functions, including:

- **Administration (141.5 FTE)**—Administration supports the Division's operation and includes management staff, district support staff, customer service center staff, and grants-management staff.
- **Business Operations (91 FTE)**—Business operations includes information technology, accounts payable and receivable, contracting, human resources, budgeting, and claims processing.

⁹ A.R.S. §36-591 et seq.

¹⁰ AAC R6-6-1001 and R6-6-1101.

¹¹ The Division has a role in developmental home license renewals by doing the following every 3 years after initial licensure: conducting a safety inspection of the home, running a criminal history record check for all adults in the home, and reviewing a physician's statement indicating whether the adults in the home have any medical or emotional problems that would prevent them from caring for members in the home.

- **Network Services (69 FTE)**—Network services staff assist members to find the best match of service providers for their needs, as well as complete readiness reviews of new service providers before they begin providing services (see Finding 1, page 10, for details).
- **Office of Licensing, Certification, and Regulation (OLCR) (21 FTE)**—OLCR issues licenses and certifications to individuals and organizations that provide HCBS (see page 2 for details) or residential services in developmental homes for members.
- **Quality Assurance (80 FTE)**—Quality assurance monitors day treatment facilities and investigates reported incidents to ensure service providers are meeting contractual requirements for quality service.
- **Training (24 FTE)**—Training staff provide education and development opportunities for all staff in the Division.

The Division coordinates services and resources through multiple administrative offices centrally located in Phoenix and five district offices located in various areas of the State, including a central, north, east, west, and south district office, and local offices in communities throughout Arizona. In April 2017, the Division consolidated 16 telephone numbers into one toll-free number that members state-wide can use to access any resources within the Division.

Finance and budget

The Division is funded through state appropriations, federal Medicaid Title XIX monies from the ALTCS program, charges to individuals for services, and other revenues. As shown in Table 1 (see page 7), the Division's total estimated fiscal year 2017 revenues were approximately \$1.38 billion. Of the total, the Division estimates it received approximately \$433 million in State General Fund appropriations; approximately \$917 million from ALTCS, which provides federal funding through the Division's contract with AHCCCS; and nearly \$24 million from the State's Long-Term Care System Fund, which includes monies collected from client billings and various other revenue sources that are used to pay for services not reimbursable through AHCCCS. Most of the Division's remaining funding comes from governmental grants and contracts.

Most division monies are used to pay contracted service providers for member services. The Division reported over \$1 billion in estimated HCBS and other contracted services expenditures in fiscal year 2017. In addition, the Division estimated that in fiscal year 2017, it would spend approximately \$72 million on case management services it directly provided to members and approximately \$82 million for administrative costs.

Table 1
Schedule of revenues and expenditures¹
Fiscal years 2014 through 2017
(Unaudited)

	2014 (Actual)	2015 (Actual)	2016 (Actual)	2017 (Estimate)
Revenues				
ALTCS contract:				
Capitation ²	\$ 678,852,996	\$ 767,925,002	\$ 829,806,107	\$ 910,271,397
Fees for service and reinsurance claims	3,039,620	3,452,276	5,160,182	6,399,121
State General Fund appropriations:				
Long-term care state match	348,120,614	357,066,700	398,922,400	410,616,400
Developmental disabilities	9,692,186	22,394,209	22,178,600	22,327,100
Long-Term Care System Fund ³	40,536,489	20,134,802	22,397,539	23,638,200
Governmental grants and contracts	5,967,612	5,966,739	7,866,233	8,413,800
Interest	1,192,296	806,972	1,819,056	1,311,000
Other	907,272	1,268,506	1,861,949	347,822
Total revenues	1,088,309,085	1,179,015,206	1,290,012,066	1,383,324,840
Expenditures and reversions				
Administrative ⁴	61,821,569	68,577,434	74,146,254	81,986,100
Case management	55,380,126	59,855,862	64,365,111	71,992,700
Home- and community-based services	756,064,796	810,180,896	884,638,964	1,007,592,600
Medical services (acute care)	128,517,692	145,143,698	152,199,082	165,514,500
State-funded, long-term care services ⁵	27,250,838	28,129,365	29,063,770	29,921,300
Institutional care services	21,491,737	21,961,616	23,230,080	22,610,900
Arizona training program at Coolidge	16,253,377	15,595,558	16,697,768	15,735,100
Medicare prescription drug payments ⁶	3,072,000	2,902,400	2,928,700	3,598,100
Total expenditures	1,069,852,135	1,152,346,829	1,247,269,729	1,398,951,300
Reversions to the State General Fund ⁷	7,917,483	34,814,705	24,052,425	
Total expenditures and reversions	1,077,769,618	1,187,161,534	1,271,322,154	1,398,951,300
Excess (deficiency) of revenues over expenditures and reversions	\$ 10,539,467	\$ (8,146,328)	\$ 18,689,912	\$ (15,626,460)

¹ This schedule is presented on a budgetary basis in which expenditures are reported in the budget year incurred.

² Consists of the contract payments from AHCCCS for providing healthcare services to eligible enrollees in the ALTCS program for the developmentally disabled. State matching monies are reported separately.

³ Consists of client billings and various other revenue sources from the Long-Term Care System Fund that are used to pay for services not reimbursable through AHCCCS.

⁴ Includes approximately \$15.4 million each year of support service costs allocated to the Division.

⁵ Consists of the State's payments for long-term care program client services that are not reimbursable through AHCCCS.

⁶ Amounts are payments for prescription drug costs for members who are eligible for Medicare. The Department is required to pay Medicare approximately 75 percent of the estimated drug costs.

⁷ Amounts represent unspent State General Fund appropriations for each fiscal year. The fiscal year 2016 amount is an estimate because the actual amount was not known at the time of the audit.

Source: Auditor General staff analysis of financial information provided by the Department through February 27, 2017, from its Financial Management Control System for fiscal years 2014 and 2015, and from the Arizona Financial Information System and other financial information for fiscal years 2016 and 2017.



Division should establish minimum qualifications for contractors that train and monitor developmental home licensees

The Arizona Department of Economic Security's (Department) Division of Developmental Disabilities (Division) should take steps to better ensure the qualifications of its contractors that train and monitor child developmental home and adult developmental home licensees. Developmental home licensees provide a residential placement for over 1,400 members and are responsible for these members' care and safety.¹² The Division uses contractors, called monitoring agencies, to oversee developmental home licensees; however, the Division has not established minimum requirements for these monitoring agencies to ensure they are qualified to fulfill their responsibilities, which include training and monitoring licensees. Therefore, similar to other states, the Division should establish minimum initial qualification and annual training requirements for monitoring agency applicants and their staff to ensure they are qualified to oversee developmental home licensees.

Division uses contractors to oversee developmental home licensees

The Division uses contractors, called monitoring agencies, to train and monitor child and adult developmental home licensees (see textbox below). According to the Division, monitoring agencies are responsible for providing annual training to developmental home licensees and for conducting home visits to help ensure these licensees meet administrative rule requirements for initial and annual licensure (see Introduction, pages 4 through 5, for additional information on the licensure process). As of May 2017, the Division contracted with 40 monitoring agencies that worked with more than 1,100 licensed child and adult developmental homes. These monitoring agencies were responsible for overseeing a range of between 1 to 135 developmental homes that served a total of more than 1,400 members.

Developmental home licensees—Individuals licensed by the Division to provide a residential placement to members. These licensees are responsible for the personal care and supervision of members residing in their homes. The Division issues a developmental home license to the individual(s) in the home setting they currently reside; therefore, the developmental home license is attached to both the licensee(s) and to the residence, and the license is not transferrable to another setting.

Monitoring agencies—Vendors that enter into a contractual agreement with the Division to oversee developmental home licensees. Monitoring agencies' responsibilities include training and monitoring licensees to ensure a safe and healthy living arrangement that meets the physical and emotional needs of the member(s) living in their home.

Source: Auditor General staff analysis of Arizona Revised Statutes, Title 36, Chapter 5.1; Arizona Administrative Code, Title 6, Chapter 6, Articles 10 and 11; and division documentation.

¹² As of December 2016, the Division provided services to more than 38,000 eligible individuals with developmental disabilities, referred to as "members." To be eligible for division services, members must have a severe, chronic disability as defined by statute that results in substantial functional limitations or have a strongly demonstrated potential for such a disability if under the age of 6 (see Introduction, pages 1 through 4, for information about member eligibility).

To become a monitoring agency, applicants must contract with the Division as a qualified vendor by undergoing a qualified vendor application process to provide services to the Division's members.¹³ Qualified vendors are for-profit and nonprofit agencies and professional independent providers who provide community developmental disability services and have entered into a qualified vendor agreement with the Division to provide specified services. The qualified vendor application process requires that the applicant meet various requirements, such as submitting to a Central Registry background check that looks for substantiated instances of child abuse and/or neglect, before becoming a qualified vendor (see textbox for examples of qualified vendor applicant requirements).

Examples of requirements to become a qualified vendor

- **Undergo Central Registry background check**—Agree to submit to a Central Registry background check through the Arizona Department of Child Safety (DCS). DCS maintains the Central Registry, which includes substantiated reports of child abuse and neglect. A Central Registry background check includes information on the perpetrator(s), the child victim(s), the abuse and/or neglect that occurred, and the date the report was received.
- **Submit policies for division review**—Submit internal policies for the Division's review regarding areas such as those relating to the requirement for preventing and reporting neglect and abuse and the agency's complaints and grievances process. The Division will provide feedback regarding any deficiencies found in the applicant's policies. Additionally, the Division reviews each monitoring agency's training policy for developmental home licensees.
- **Review services that will be provided**—Review the Division's defined service description for the service the applicant elects to provide. The service description for monitoring agencies includes ensuring its professional staff are "properly trained" and able to "demonstrate successful experience in performing their duties," such as training and monitoring. In addition, it provides a broad description of the responsibilities of a monitoring agency, including recordkeeping requirements, such as "maintaining copies of all home inspections, monitoring reports, and corrective actions."
- **Sign monitoring agency agreement**—Those applying to become a monitoring agency are required to sign an agreement with the Division stating that they will provide services similar to those listed in the service description mentioned above. For example, the applicant agrees to perform training and monitoring duties for licensees and to support the licensed developmental homes to meet members' needs.

Source: Auditor General staff analysis of Arizona Revised Statutes §8-804(A) and division documentation.

After approving an application and before new qualified vendors provide services, division staff reported that they conduct a "Readiness Review" with the qualified vendor, which is a meeting to help ensure the qualified vendor is ready to provide services. In preparation for this meeting, division staff stated that they provide each qualified vendor with a copy of the Division's Readiness Review checklist and instruct them to review the portions of the checklist that pertain to the services the qualified vendor will provide. At the Readiness Review meeting, division staff use the checklist to conduct the meeting, discussing the vendor's responsibilities for providing the approved services and answering any of the vendor's questions. For monitoring agencies, division staff also review a section of the checklist that generally addresses some of the responsibilities of a monitoring agency. This section of the checklist provides links to documents on the Department's qualified vendor application website and to the developmental home licensing rules. After this review is completed, the Division authorizes the qualified vendor to deliver the services it has been contracted to provide.

¹³ Monitoring agencies represent only one type of qualified vendor. Qualified vendors also include organizations and individuals such as group home providers and speech therapists. The Division provides many of its services through a network of providers referred to as qualified vendors who enter into qualified vendor agreements. These agreements are legally binding contracts authorizing the provision of community developmental disability services.

Division lacks basic qualification requirements for monitoring agencies

Although monitoring agencies complete the Division's qualified vendor process, the process lacks basic qualification requirements for applicants who want to fulfill this important role. Specifically, division staff indicated that the process does not require monitoring agency applicants or their staff to meet any initial minimum education or experience requirements or to subsequently complete annual training requirements. In addition, the Readiness Review conducted by division staff after the qualified vendor agreement is approved (see page 10) also does not directly address monitoring agency or staff education, experience, or other requirements to help the Division assess qualifications. As previously mentioned, division staff review a section of the Readiness Review checklist that generally addresses the services provided by a monitoring agency and provides links to various documents, but the documents listed on the checklist do not reference specific qualification requirements. For example, one item on the Readiness Review checklist, referred to as "Service Specification," provides a link to the service description document for monitoring agencies (see 3rd bullet in textbox on page 10 for additional information). However, while this document indicates the monitoring agency should ensure its staff are "properly trained" and "able to demonstrate successful experience of the performance of their duties," it does not clearly define how monitoring agency applicants would demonstrate that its staff meet these qualifications.

Without requiring monitoring agencies' staff to meet basic qualification requirements, some monitoring agencies may have difficulty adequately fulfilling key responsibilities. These responsibilities include submitting complete initial and renewal developmental home license applications to the Division, ensuring that developmental home applicants/licensees receive the required trainings and that all trainings are entered into the Division's database, and conducting adequate home studies, which are comprehensive evaluations of developmental home applicants/licensees required by the Division for licensure (see Appendix A, pages a-1 through a-4, for more information on the home study).¹⁴ Auditors reviewed examples of developmental home license applications submitted by one monitoring agency that demonstrated repeated difficulties in adequately fulfilling key responsibilities. For example, the monitoring agency submitted two incomplete initial developmental home license applications—one in May 2017 and one in June 2017. One of these applications did not include information regarding phone service available in the home as required by rule, and the second application contained inadequate family history details in the home study for both applicants. In addition, the monitoring agency submitted two incomplete developmental home license renewal requests—one in April 2017 and one in June 2017. In the first request, the monitoring agency failed to document that the licensee had completed 3 of the 10 required training hours. The second request was submitted with an inadequate home study that did not contain important details, including how the licensee assisted the members living in their home to maintain contact with their family and to successfully manage daily hygiene tasks. As discussed in the Introduction (see page 5), the home study is conducted prior to an initial developmental home license being issued and annually thereafter. It is critical that monitoring agency staff are qualified to conduct home studies and to make assessments based on the information gathered during home studies to provide important information to the Division. The Division relies largely on the information monitoring agencies gather and enter into the division database, such as the home study, to make licensing decisions. However, division staff indicated that, similar to the monitoring agency auditors reviewed, some other monitoring agencies have demonstrated repeated difficulty completing the annual home study.

When monitoring agencies do not fulfill their key responsibilities, the Division must not only take time to request additional information to help ensure that developmental home applicants/licensees are or remain qualified, but the Division may also be at risk for not receiving a comprehensive and accurate assessment of the developmental home applicants/licensees' qualifications and/or the home environment where its members reside. The Division has a contractual arrangement with the monitoring agencies to help the developmental home applicants/licensees meet licensure requirements; therefore, the Division typically does not have regular contact with applicants/licensees. Rather, the monitoring agencies play an important role as the Division's "eyes and ears" by helping to ensure the safety of members residing in developmental homes. Therefore, it is essential for the Division to ensure that monitoring agencies are qualified to assess and support applicants/licensees in maintaining a safe

¹⁴ Married or single persons may apply for a developmental home license.

and healthy living environment that meets the needs of its vulnerable members. Specifically, members have severe, chronic disabilities with significant functional limitations and may need help from licensees to perform basic daily functions and/or to make life decisions.

Division should establish minimum qualification requirements for monitoring agencies

To better ensure that monitoring agencies are qualified to assist developmental home applicants meet licensure requirements and ensure their continued compliance with these requirements, the Division should establish minimum qualification requirements for monitoring agency applicants and, as applicable, their staff. When making the decision to contract with other entities to provide various client services, it is important that governments ensure potential contractors have the expertise needed to fulfill these responsibilities.¹⁵ Additionally, auditors reviewed the contract requirements of three other states that have established minimum qualification and annual training requirements for their contractors that perform functions similar to Arizona's monitoring agencies. Specifically, Nevada, Oregon, and Utah have established the following initial education, initial experience, and/or annual training qualification requirements for their contractors' staff to help ensure they are and remain qualified to perform their contractual duties:

- **Initial education and/or experience requirements**—Two of the three states auditors reviewed have education and/or experience requirements that contractors must meet prior to entering into a contract. Specifically, Nevada's Aging and Disability Services Division has a policy that indicates contract applicants must have at least 1 year of experience working with the intellectual disability population and 1 year of experience managing or operating a business. Oregon's administrative code mandates educational and/or experience requirements for contractors, such as a master's degree in social work or depending on the position, a specified number of years of human service related experience, such as providing assistance to individuals and groups facing challenges, including experience with economic disadvantages, abuse and neglect, or a disability.
- **Annual training requirements**—Nevada, Oregon, and Utah all require contractor staff to complete annual training. Specifically, Nevada contractually requires annual training that includes educating contractor staff on topics such as confidentiality, abuse, neglect, and exploitation. Oregon has established annual training requirements in rule for some contractor staff that may include department-sponsored trainings or other trainings in the area of developmental disabilities. Finally, Utah's contract requires its contractors that operate licensed facilities to provide their staff with annual behavior management training.¹⁶

Similarly, the Division should establish minimum qualifications, such as specific education and/or experience requirements and annual training requirements to help ensure monitoring agency applicants and, as applicable, their staff are and remain qualified to fulfill their responsibilities. By imposing minimum qualification requirements, the Division would strengthen its ability to evaluate whether its contracted monitoring agencies are qualified to perform their various responsibilities, including ensuring the health and safety of the vulnerable population that they serve. Specifically, the Division should establish and coordinate a work group to develop minimum qualifications and annual training requirements for monitoring agency applicants and staff. The Division should ensure that its work group:

- Includes personnel from the Division's contracting, licensing, and quality assurance units as well as representatives from various external stakeholder groups, such as representative(s) from the Division's member population, guardian/family members, monitoring agency staff, and child and adult developmental home licensees;

¹⁵ Yang, K. & VanLandingham, G. (2012). How hollow can we go? A case study of the Florida's efforts to outsource oversight of privatized child welfare services. *The American Review of Public Administration*, 42(5), p. 543 – 561.

¹⁶ Behavior management is a general description for strategies that focus on teaching caregivers skills to identify and resolve disruptive client behaviors in a manner that supports clients to achieve their goals.

- Studies and identifies effective initial minimum qualifications, such as specific education and/or experience requirements for monitoring agency applicants and staff; and
- Studies and identifies annual training requirements for monitoring agency staff.

In addition, after the work group has identified minimum qualification and annual training requirements for monitoring agency applicants and their staff, to help ensure monitoring agencies are aware of and meet these requirements, the Division should develop and implement a policy that incorporates these new requirements. Finally, the Division should revise its qualified vendor agreement documentation to reflect its policy and ensure that monitoring agency applicants and their staff meet these requirements.

Recommendations

- 1.1. The Division should establish minimum qualification and annual training requirements to help ensure monitoring agency applicants and, as applicable, their staff are and remain qualified to fulfill their responsibilities. Specifically, the Division should establish and coordinate a work group to develop minimum qualification and annual training requirements for monitoring agency applicants and staff. The Division's work group should:
 - a. Include personnel from the Division's contracting, licensing, and quality assurance units as well as representatives from various external stakeholder groups, such as representative(s) from the Division's member population, guardian/family members, monitoring agency staff, and child and adult developmental home licensees;
 - b. Study and identify effective minimum initial qualifications, such as specific education and/or experience requirements for monitoring agency applicants and staff; and
 - c. Study and identify annual training requirements for monitoring agency staff.
- 1.2. After the work group has identified minimum qualification and annual training requirements for monitoring agency applicants and their staff, to help ensure monitoring agencies are aware of and meet these requirements, the Division should develop and implement a policy that incorporates these new requirements.
- 1.3. The Division should revise its qualified vendor agreement documentation to reflect its policy and ensure that monitoring agency applicants and their staff meet these requirements.



Division lacks process for overseeing its contractors that train and monitor developmental home licensees

The Arizona Department of Economic Security’s Division of Developmental Disabilities (Division) has not established a process for ensuring that monitoring agencies fulfill their responsibilities, including training and monitoring child developmental home and adult developmental home licensees. The Division contracts with monitoring agencies to help ensure that developmental home applicants/licensees comply and remain in compliance with licensure requirements, which in turn helps to promote the health, safety, and welfare of the members who reside in developmental homes.^{17,18} Although monitoring agencies enter information about their various activities into a licensing database that the Division uses to issue and renew developmental home licenses, the Division does not formally oversee the monitoring agencies, such as conducting onsite visits or requesting and reviewing documentation to verify the accuracy of the information monitoring agencies enter into the database. To ensure monitoring agencies are effectively fulfilling their responsibilities, the Division should clearly define monitoring agencies’ responsibilities within its contractual agreements, provide standardized guidance to help ensure that monitoring agencies consistently and adequately fulfill their responsibilities, and develop and implement policies and procedures for overseeing the monitoring agencies.

Monitoring agencies responsible for helping to ensure the health, safety, and welfare of members

Monitoring agencies are division contractors that play an important role in helping to ensure the health, safety, and welfare of members. Specifically, as allowed by statute, the Division has entered into contractual agreements with monitoring agencies, for a maximum term of 6 years, to provide appropriate residential placements for members in developmental homes.¹⁹ In addition, monitoring agencies are responsible for ensuring that developmental home licensees meet licensure requirements and submit initial and renewal license requests to the Division on their behalf. By fulfilling their responsibilities, monitoring agencies help ensure that developmental home applicants/licensees are prepared to meet the needs of the vulnerable members residing in their homes and comply and remain in compliance with licensure requirements, which are designed to ensure member health, safety, and welfare. These members have severe, chronic disabilities and may need the licensee’s help to perform basic daily functions and/or to make life decisions. As such, monitoring agencies have a responsibility to ensure licensees provide members a stable and supportive living environment in a family home setting, which is critical

¹⁷ The Division provides services to more than 38,000 eligible individuals with developmental disabilities, referred to as “members.” To be eligible for division services, members must have a severe, chronic disability as defined by statute or have a strongly demonstrated potential for such a disability if under the age of 6 (see Introduction, pages 1 through 4, for information about member eligibility).

¹⁸ Child and adult developmental homes are private homes where the homeowner(s) or lessee(s) are licensed to provide 24-hour care for up to three people with developmental disabilities. The Division issues a developmental home license to the individual(s) in the home setting they currently reside; therefore, the developmental home license is attached to both the licensee and to the residence, and the license is not transferrable to another setting. See Introduction, pages 4 through 5, for additional information.

¹⁹ Although monitoring agencies are not specifically mentioned in statute or rule, Arizona Revised Statutes §36-554(A)(1)(c) authorizes the Division to enter into a contract with private profit or nonprofit agencies to provide residential placements that include regular assistance, supervision, and services to members living in the developmental homes.

because such an environment enables the member to create and maintain regular schedules and to develop connections in their community. The Division's administrative rules pertaining to child and adult developmental home licensees establish several requirements for licensure, including the following:²⁰

- **Training**—Developmental home licensees must complete several trainings such as CPR and first aid prior to becoming licensed and must receive 10 hours of training annually to renew their license.²¹ According to the Division, the monitoring agencies are responsible for ensuring licensees receive this training. Administrative rule does not mandate any training topics for annual training, but it requires licensees to maintain certifications obtained during initial licensure, such as CPR and first aid, and allows the licensee to spend up to 4 of the 10 required training hours per year for this purpose.
- **Monitoring**—To renew a developmental home license, licensees must receive a total of three home visits each year—an annual home visit as part of the license renewal process and two monitoring visits, one of which must be unannounced.²² According to the Division, the monitoring agencies are responsible for conducting the home visits, which help to ensure that licensees continue to comply with licensing requirements.
- **Home study**—Developmental home licensees must participate in a home study, which monitoring agencies conduct prior to licensure and annually thereafter. The home study is a comprehensive evaluation of the applicants/licensees that covers 24 diverse areas. The areas that are reviewed include any experience the applicants/licensees have that supports their understanding of working with vulnerable populations, details regarding any criminal or civil court actions, employment, income, the stability of family relationships, car insurance, and a summary of fire drills conducted in the home (see Appendix A, pages a-1 through a-4, for additional information regarding the home study).

Division does not conduct oversight activities of monitoring agencies

Although monitoring agencies play a crucial role in helping to ensure the health, safety, and welfare of members who live in child and adult developmental homes, the Division does not conduct oversight activities to ensure that monitoring agencies are adequately fulfilling their responsibilities. Specifically, the Division issues and renews developmental home licenses based largely on the information that the monitoring agencies enter into the division licensing database. However, the Division does not verify the accuracy of this information by conducting onsite visits to the monitoring agencies or reviewing supporting documentation. In addition, the Division does not perform other oversight activities, such as generating database reports to track and analyze whether monitoring agencies fulfill all contractual requirements adequately and in a timely manner. The Division also does not regularly require monitoring agencies to develop and implement corrective action plans to address inadequate performance. Therefore, the Division cannot ensure monitoring agencies are fulfilling their responsibilities, which helps to ensure the welfare of members residing in licensed developmental homes.

Division issues and renews developmental home licenses based on information monitoring agencies enter into a database—The Division relies largely on information monitoring agencies provide to issue and renew developmental home licenses.²³ Specifically, monitoring agencies enter information into the Division's licensing database, such as their home visit details, the information from the home study, and licensee training information, to help document that developmental home applicants and licensees have complied with and remain in compliance with licensing requirements. The Division reviews this database information when a monitoring agency submits an initial or renewal developmental home license application to determine whether

²⁰ Arizona Administrative Code (AAC), Title 6, Chapter 6, Articles 10 and 11, pertain to license requirements for child and adult developmental home licenses, respectively.

²¹ AAC R6-6-1005(B) and R6-6-1105(B).

²² AAC R6-6-1016(C)(1)(2) and R6-6-1116(C)(1)(2).

²³ The Division indicated that it performs the following activities every 3 years as part of renewing developmental home licenses: conducts a safety inspection of the home, performs a criminal history record check for all adults in the home, and reviews a physician's statement indicating whether the adults in the home have any medical or emotional problems that would prevent them from caring for members residing in the home.

licensing requirements have been met. For example, the Division determines whether the monitoring agency entered sufficient details into the database to support that it conducted the three required home visits and that the applicant/licensee completed the required training, including entering the name of the training class(es) and the hours for each class. The Division follows up with the monitoring agency if licensing requirements have not been met or if the monitoring agency has provided incomplete information.

Division does not verify accuracy of the information monitoring agencies enter into the database or perform other oversight activities—Although the Division relies on information that monitoring agencies enter into the licensing database to issue and renew developmental home licenses, it does not verify the accuracy of this information or perform other activities to oversee the monitoring agencies. Specifically, the Division:

- **Does not verify the accuracy of monitoring agency-provided information**—As previously mentioned, monitoring agencies enter important information regarding developmental home visits and licensee training into the Division’s licensing database, and this information primarily serves as the basis for the Division’s decision to issue and/or renew developmental home licenses. However, according to division staff, the Division does not verify the accuracy of the information in the database. Specifically, the Division does not conduct onsite visits, which may include observing monitoring agency staff performing their duties; review hardcopy files, such as signed documentation to support that home visits occurred; or request documentation from monitoring agencies, such as training certificates or proof of car insurance, to verify this information.
- **Does not use database reports to track monitoring agencies’ activities and cannot reliably track unannounced visits**—Although the Division’s database contains detailed information the Division could use to generate reports to track and assess monitoring agencies’ activities, the Division does not use this functionality. Division staff reported using the database for other purposes, such as tracking the length of time to issue and renew licenses, but they do not generate database reports to determine whether monitoring agencies are fulfilling their responsibilities, such as conducting the required home visits and providing training to the developmental home licensees. Without generating such reports to oversee monitoring agencies, division staff may not be able to adequately assess the extent to which licensees are receiving home visits from monitoring agencies at an appropriate frequency, completing training in a timely manner, or adequately fulfilling other licensure requirements.

In addition, the Division cannot reliably track monitoring agencies’ unannounced visits. Specifically, to enter information for home visits, the database has a drop-down menu to indicate the type of home visit made, including an unannounced home visit, but monitoring agencies do not always use the “unannounced home visit” drop-down option because they have not been required to do so. Rather, some use another home visit option from the drop-down menu and then indicate in the comment field that the home visit was unannounced. Because monitoring agencies do not consistently use the “unannounced home visit” drop-down menu option, the Division cannot generate database reports with accurate and complete information showing whether monitoring agencies are completing unannounced visits in a timely manner. As a result, the Division may not know which licensees are at risk for not having an unannounced visit prior to the monitoring agency submitting an application for the developmental home’s license renewal, which is when division staff begin the process of reviewing information the monitoring agency entered into the database to support their license renewal recommendation (see page 18 for an example of when this occurred).

- **Does not regularly take enforcement actions, including the use of corrective action plans, to address monitoring agencies’ performance issues**—Division staff indicated that the Division has not regularly taken enforcement actions, such as requiring monitoring agencies to develop and implement corrective action plans, to address deficiencies in their performance. For example, as indicated in Finding 1, page 11, some monitoring agencies have demonstrated repeated difficulty completing the annual home study. In addition, division staff indicated that some monitoring agencies have requested that the Division renew a developmental home license even though the required unannounced home visit was not conducted. Although the Division has requested that monitoring agencies address specific instances of inadequate performance when they are identified, such as providing missing information for a home study or conducting an unannounced home visit, the Division has not taken any actions to systematically address these performance issues and prevent their reoccurrence. These actions might include the development and implementation of

a corrective action plan or a probationary period with increased division supervision to address instances where monitoring agencies did not adequately fulfill their responsibilities. Division staff indicated that since at least May 2015, the Division required only one monitoring agency to implement corrective actions for failing to comply with contractual requirements. In this instance, the monitoring agency submitted late developmental home license renewal applications and incomplete initial and renewal home studies, and failed to adequately monitor developmental homes for license compliance.

In addition, according to the qualified vendor agreement, the Division can cancel an agreement with a monitoring agency that does not comply with any one of the agreement's provisions or continually fails to adequately fulfill their required responsibilities after other available remedies were not successful. However, division staff indicated that the Division has not historically canceled qualified vendor agreements with monitoring agencies despite deficiencies in some monitoring agencies' performance discovered during the licensing process.

Division does not know the extent to which monitoring agencies are adequately fulfilling responsibilities, which impacts member welfare in developmental homes—

Because of its lack of oversight, the Division does not know the extent to which monitoring agencies are adequately fulfilling their responsibilities, which helps to ensure the welfare of members residing in licensed developmental homes. Auditors visited three monitoring agencies and reviewed one to two randomly selected developmental home licensee files from each monitoring agency.²⁴ Based on a review of these files, auditors identified examples of how the Division's lack of oversight may affect its ability to fully assure member welfare. Specifically:

- One monitoring agency lacked signed documentation to support that it had conducted any of the required home visits at a developmental home prior to the home's most recent license renewal and did not have documentation required by rule demonstrating that the licensees' auto liability insurance was current for the cars used to transport members. Although the monitoring agency had entered information into the Division's database indicating that it had conducted the three required home visits and that the licensees' car insurance was current, without supporting documentation, the Division cannot ensure that the visits took place or that these visits helped ensure member welfare, nor can it ensure that the licensees' auto liability insurance is current. However, because the monitoring agency had entered the information necessary for license renewal into the database, the Division renewed this developmental home's license.
- Based on the review of a licensee file at another monitoring agency, auditors determined that the monitoring agency conducted at least three home visits for a developmental home licensee during the license year, but it did not conduct the required unannounced visit before it submitted the application recommending the Division renew the developmental home's license. Division staff confirmed that in this instance, they received the license renewal request from the monitoring agency approximately 2 months prior to the current license expiration date. When they reviewed the renewal request information and discovered that an unannounced visit had not been conducted, division staff indicated they requested that the monitoring agency conduct an unannounced visit as required by rule. However, division staff indicated that they did not follow up with the monitoring agency to ensure the required unannounced visit was conducted but renewed the license because the monitoring agency indicated that it completed at least three home visits. When an unannounced visit has not been conducted, division staff indicated that they will typically ask the monitoring agencies to conduct the unannounced visit, but that they do not follow up to ensure the unannounced visit was completed. As a result, the Division cannot ensure that it has renewed developmental home licenses in accordance with administrative rule. In addition, unannounced visits are important because they provide an opportunity to obtain a better perspective into the quality of care provided in the home as compared to announced visits.²⁵

²⁴ Auditors visited 3 of the Division's 38 monitoring agencies with active developmental home licensees as of March 2017 (two of the Division's monitoring agencies did not have active developmental home licensees at this time). See Appendix B, page b-1, for additional details regarding the auditors' method to select the monitoring agencies.

²⁵ Klerks, M.C.J.L., Ketelaars, C.A.J., & Robben, P.B.M. (2013). Unannounced, compared with announced inspections: A systematic review and exploratory study in nursing homes. *Health Policy*, 111, 311-319.

By not conducting formal oversight activities, the Division also cannot ensure that monitoring agencies will correct deficiencies in fulfilling their responsibilities. As mentioned previously, the Division does not regularly take enforcement actions to address deficient monitoring agency performance discovered during the licensing process (see pages 17 through 18). Instead, the Division has focused its efforts on submitting requests for additional information to the monitoring agencies to obtain the information needed to make developmental home licensing decisions. As a result, monitoring agencies that may not be adequately performing their responsibilities are allowed to continue monitoring licensed developmental homes without addressing potential systemic performance concerns. A formal oversight process would help ensure monitoring agencies make improvements if they are having difficulties in fulfilling their responsibilities. In addition, such a process would help ensure that only monitoring agencies that adequately perform their responsibilities would be allowed to continue to serve in the important role of helping oversee the developmental homes where the Division's members live.

Division lacks process for overseeing its monitoring agencies for several reasons

The Division does not have a process for overseeing its monitoring agencies due to several factors. Specifically, the Division:

- **Has not clearly defined monitoring agencies' responsibilities and requirements in its qualified vendor agreement**—A study from Rutgers University indicated that clearly defining contractor expectations is crucial to ensuring quality services from contractors.²⁶ The Division, however, has not clearly defined monitoring agencies' responsibilities and requirements in the qualified vendor agreement. For example, a key document signed by monitoring agencies when they complete the qualified vendor agreement, called Section 9F, contains vague monitoring agency requirements, such as implementing strategies for “training, home studies, and recommendation for licensing ... and re-licensing ...of [developmental] homes.” In addition, Section 9F provides general statements, such as the monitoring agency will “monitor developmental homes for compliance with all applicable requirements,” without clearly defining those requirements or citing applicable administrative rules. Although the Division provides the applicable administrative rules to monitoring agencies, these rules do not contain detailed requirements pertaining to the role and responsibilities of monitoring agencies. Specifically, administrative rule directs developmental home licensees to receive three home visits, described as an “annual home visit” and “two monitoring visits,” one of which is unannounced, each year to renew their license, but rule does not mention the monitoring agency's role in fulfilling this requirement. Therefore, neither the qualified vendor agreement nor administrative rule clarifies the role of monitoring agencies with respect to developmental homes, including the responsibility for conducting the three home visits. Further, neither the qualified vendor agreement nor rule defines what specifically needs to take place during these home visits so that monitoring agencies fully understand what they are responsible for reviewing when conducting the annual home and monitoring visits. Division staff stated that, in practice, as long as someone from the monitoring agency enters the home, they consider this to be one of the three required home visits, regardless of the purpose of the visit. However, without specifying requirements for the home visits, the Division has not established the expectations for what monitoring agencies should review and assess during these visits to help ensure members are safe and their needs are being met.

In addition to not clearly defining the specifics of monitoring agency requirements in its qualified vendor agreement, two of the documents that make up the agreement are not entirely consistent with each other and may not consistently reflect actual practice. For example, Section 9F indicates that the monitoring agency and the licensee will develop an Individual Support Plan (ISP) for the member.²⁷ However, this requirement differs from the requirement specified in the Services Specifications document, called Section 7. Section 7 states that the monitoring agency will participate as one of several team members to help develop the ISP. In practice, the monitoring agencies do not develop the ISP with the licensees as indicated in Section 9F.

²⁶ Fine, J., Mareschal, P., Hersh, D., & Leach, K. (2014) *Overlooking oversight: A lack of oversight in the Garden State is placing New Jersey residents and assets at risk*. New Brunswick, NJ: Rutgers University.

²⁷ The ISP is a written statement of services the member is authorized to receive and includes the member's related goals and objectives.

Rather, they are part of the member's team and help develop the ISP, which is more accurately reflected in the Section 7 document.

- **Provided minimal standardized guidance to monitoring agencies**—In addition to not clearly delineating all monitoring agency requirements in the qualified vendor agreement, the Division has provided limited guidance to the monitoring agencies on fulfilling these requirements. For example, the Division has developed two forms that the monitoring agencies can use when conducting home visits at the developmental homes. Together, these forms include a statement regarding the Division's statutory right to inspect the home, the licensees' inspection rights during the visit, a checkbox to indicate the purpose for the visit, and a place to note deficiencies. However, the forms do not include a checklist of specific items that should be reviewed during home visits to help facilitate a standard and consistent home visit approach designed to help ensure member health, safety, and welfare. In addition, the Division has provided prompts in the licensing database to help monitoring agencies know what information to provide for the home study; however, division staff indicated some monitoring agencies continue to have difficulties providing adequate information even with the prompts.

Further, the Division has provided little guidance or resources to monitoring agencies to help them fulfill their responsibility of ensuring developmental home licensees receive appropriate training. According to administrative rule, child and adult developmental home licensees are required to receive a minimum of 10 hours of annual training and additional training based on the specific needs of the member(s) residing in the home.²⁸ The Division provides two train-the-trainer courses that are designed to prepare monitoring agency staff to provide training classes to developmental home licensees.²⁹ In addition, the Division provides monitoring agencies with a list of topics, such as reporting serious incidents and teaching and changing behaviors, that they can choose to incorporate into the annual trainings they provide for their licensees. However, the Division lacks other guidance related to licensee training. For example, the Division has not developed and provided guidance to the monitoring agencies to supplement its list of training topics, such as suggested course curricula or outlines of course content, which could include applicable laws/regulations and best practices. Additionally, the Division has not referred monitoring agencies to other resources to assist them in developing and delivering effective and appropriate trainings. This would include referrals to recognized adult learning experts, such as the National Adult Education Professional Development Consortium or the International Association for Continuing Education and Training.

- **Does not have policies and procedures for overseeing monitoring agencies**—The Division lacks policies and procedures directing the oversight activities that its staff should perform, such as verifying information monitoring agencies enter into the division database to document their activities, generating and using database reports to track the extent to which monitoring agencies fulfill their responsibilities, and regularly taking action when monitoring agencies do not adequately fulfill their responsibilities. Although division staff can identify deficiencies with monitoring agencies' performance when they review monitoring agencies' applications to issue or renew licenses, the Division does not have policies and/or procedures to track, assess, and address these deficiencies.

Division should take several steps to establish oversight process for its monitoring agencies

The Division should take several steps to establish a process for overseeing its contracted monitoring agencies. A study from Rutgers University emphasized the importance of providing contractors with clear and explicit guidance on expectations and maintaining a system of monitoring and auditing to ensure contract requirements

²⁸ AAC R6-6-1005(B)(C) and R6-6-1105(B)(C).

²⁹ Division staff indicated that the two train-the-trainer courses are provided to monitoring agencies to certify instructors to provide these trainings to developmental home licensees. The Article 9 course covers topics such as member's rights, abuse and neglect, training pertaining to behavior plans, and emergency measures. The second course is Prevention & Support, which provides proactive and preventative strategies to support people who display behavioral challenges and emergency physical intervention techniques when these strategies are unsuccessful.

are met.³⁰ In addition, auditors interviewed staff in other states that use contracted third-party entities to provide services similar to the services provided by Arizona’s monitoring agencies to learn how they define responsibilities and/or what guidance they provide to their contractors. For example, Nevada’s Aging and Disabilities Services Division specifies in policy that contractors must conduct home visits each month, which includes assessing the physical environment, reviewing required training, and ensuring that residents’ rights are maintained; and that contractors retain specific documentation for these visits. Oregon’s Office of Developmental Disabilities Services has created a standardized checklist for their contractors to use to perform licensing inspections. The checklist includes items such as documenting whether specific recordkeeping requirements are met, ensuring that medications are stored in their original containers, confirming that doorways and hallways are accessible, and ensuring that the home meets fire safety standards. Similar to these other states and in accordance with recommended practices, the Division should clearly define the monitoring agencies’ responsibilities in its qualified vendor agreement, develop and provide standardized forms and other guidance to assist them in fulfilling these responsibilities, and develop and implement policies and procedures for overseeing the monitoring agencies. Specifically, the Division should:

- **Clearly define monitoring agency responsibilities**—The Division should develop and implement a policy that clearly defines monitoring agency roles, responsibilities, and requirements, including the requirements for conducting the “annual home visit” and the “monitoring visits.” In addition, the Division should specify in its policy the type of records monitoring agencies must maintain to document their activities. Further, the Division should ensure that the responsibilities and requirements established in its policy are incorporated in its qualified vendor agreement. Finally, the Division should ensure that the responsibilities and requirements specified in the various qualified vendor agreement documents are internally consistent and reflect actual practice where appropriate.
- **Provide guidance to monitoring agencies**—To assist monitoring agencies in performing their responsibilities, the Division should develop and provide standardized guidance, including a checklist that would help facilitate a standard and consistent approach for the required home visits. In addition, the Division should develop and/or provide additional guidance for monitoring agencies to help ensure they submit more complete information for the home study in an effort to reduce division requests for additional information. For example, the Division could improve its database prompts that describe the type of information that monitoring agencies should enter into the Division’s database for each area in the home study. The Division could also require all new monitoring agencies and/or those that repeatedly have deficient home studies to attend the technical assistance presentation that the Division developed and offers periodically regarding how to properly complete the home study.

In addition, the Division should enhance the guidance and/or resources it provides to monitoring agencies to help ensure they provide appropriate training to licensees. Specifically, the Division should develop and provide guidance, such as suggested course curricula or outlines of course content, which could include applicable laws/regulations and best practices, for its list of training topics. Additionally, the Division should develop guidance regarding fundamental content that must be covered in specific training topics for licensees and/or provide training materials to assist monitoring agencies to deliver trainings or make referrals to other resources, such as recognized adult learning experts, that could help monitoring agencies develop and deliver effective and appropriate trainings to licensees.

- **Develop oversight policies and procedures**—Finally, the Division should develop and implement policies and procedures to guide and direct its staff in conducting oversight of its contracted monitoring agencies. These policies and procedures should:
 - Identify the various oversight activities division staff should perform and how these activities should be performed. Oversight activities should include conducting onsite visits, reviewing monitoring agencies’ hardcopy files, and/or requesting supporting documentation, which may include electronic signatures/acknowledgments, to verify information monitoring agencies enter into the Division’s database. The

³⁰ Fine et al., 2014.

Division should also review monitoring agency supporting documentation for home visits to help ensure these visits were completed in accordance with rule and qualified vendor agreement requirements. For example, once the Division clearly defines the requirements of the “annual home visit” and the “monitoring visits” in the qualified vendor agreement, it should ensure that monitoring agencies meet these requirements by either conducting onsite visits, reviewing monitoring agencies’ hardcopy files, and/or requesting and reviewing supporting documentation. In addition, the Division should review a sample of monitoring agency documentation for trainings provided to licensees to help ensure the training is appropriate given the needs of the licensees and the members;

- Direct how information in the division database should be reported and used, including the development of management reports. Specifically, the Division should require its monitoring agencies to enter information into the database fields in such a way as to facilitate the Division’s ability to generate timely, accurate, and useful reports of monitoring agencies’ activities. The Division should then develop and generate management reports that provide information on monitoring agency activities, such as whether monitoring agencies are timely in completing unannounced home visits, whether home visits are conducted with an appropriate frequency during the license renewal year, and whether licensee training is completed in a timely manner. Finally, the Division should ensure that its policies and procedures include the requirement and process for generating and reviewing these reports; and
- Require the use of corrective action plans or other appropriate enforcement actions when the Division identifies deficiencies in monitoring agencies’ activities. For example, when the Division discovers instances of poor performance among its contracted monitoring agencies, it should require that monitoring agencies develop and implement corrective action plans that would identify how the monitoring agency plans to correct deficiencies, timelines for correction, and any potential training needs. In addition, the Division’s policies and procedures should ensure that monitoring agencies respond in a timely manner to a division request for corrective action. For example, the policies and procedures should direct division staff to conduct onsite visits to verify corrective action, or require monitoring agencies to provide progress reports by established time frames. In addition to using corrective action plans, the Division should require the use of other appropriate enforcement actions. These might include implementing a probationary period with increased division supervision or canceling qualified vendor agreements with monitoring agencies that continually fail to adequately complete their required responsibilities after other available remedies were not successful.

Recommendations

- 2.1. The Division should take several steps to establish a process for overseeing its contracted monitoring agencies. Specifically, the Division should:
 - a. Develop and implement a policy that clearly defines monitoring agency roles, responsibilities, and requirements, including the requirements for conducting the “annual home visit” and the “monitoring visits”;
 - b. Specify in its policy the type of records monitoring agencies must maintain to document their activities;
 - c. Ensure that the responsibilities and requirements established in its policy are incorporated in its qualified vendor agreement; and
 - d. Ensure that the responsibilities and requirements specified in the various qualified vendor agreement documents are internally consistent and reflect actual practice where appropriate.
- 2.2. To assist monitoring agencies in performing their responsibilities, the Division should:
 - a. Develop and provide standardized guidance, including a checklist that would help facilitate a standard and consistent approach for the required home visits; and

- b. Develop and/or provide additional guidance for monitoring agencies to help ensure they submit more complete information for the home study in an effort to reduce division requests for additional information.
- 2.3. The Division should enhance the guidance and/or resources it provides to monitoring agencies to help ensure they provide appropriate training to licensees. Specifically, the Division should develop and provide guidance, such as suggested course curricula or outlines of course content, which could include applicable laws/regulations and best practices, for its list of training topics. Additionally, the Division should develop guidance regarding fundamental content that must be covered in specific training topics for licensees and/or provide training materials to assist monitoring agencies to deliver trainings or make referrals to other resources, such as recognized adult learning experts, that could help monitoring agencies develop and deliver effective and appropriate trainings to licensees.
- 2.4. The Division should develop and implement policies and procedures to guide and direct its staff in conducting oversight activities of its contracted monitoring agencies. These policies and procedures should:
- a. Identify the various oversight activities division staff should perform and how these activities should be performed. Oversight activities should include conducting onsite visits, reviewing monitoring agencies' hardcopy files, and/or requesting supporting documentation, which may include electronic signatures/acknowledgments, to verify information monitoring agencies enter into the Division's database. The Division should also review monitoring agency supporting documentation for home visits to help ensure these visits were completed in accordance with rule and qualified vendor agreement requirements. For example, once the Division clearly defines the requirements of the "annual home visit" and the "monitoring visits" in the qualified vendor agreement, it should ensure that monitoring agencies meet these requirements by either conducting onsite visits, reviewing monitoring agencies' hardcopy files, and/or requesting and reviewing supporting documentation. In addition, the Division should review a sample of monitoring agency documentation for trainings provided to licensees to help ensure the training is appropriate given the needs of the licensees and the members;
 - b. Direct how information in the division database should be reported and used, including the development of management reports. Specifically, the Division should require its monitoring agencies to enter information into the database fields in such a way as to facilitate the Division's ability to generate timely, accurate, and useful reports of monitoring agencies' activities. The Division should then develop and generate management reports that provide information on monitoring agency activities, such as whether monitoring agencies are timely in completing unannounced home visits, whether home visits are conducted with an appropriate frequency during the license renewal year, and whether licensee training is completed in a timely manner. Finally, the Division should ensure that its policies and procedures include the requirement and process for generating and reviewing these reports; and
 - c. Require the use of corrective action plans or other appropriate enforcement actions when the Division identifies deficiencies in monitoring agencies' activities. For example, when the Division discovers instances of poor performance among its contracted monitoring agencies, it should require that monitoring agencies develop and implement corrective action plans that would identify how the monitoring agency plans to correct deficiencies, timelines for correction, and any potential training needs. In addition, the Division's policies and procedures should ensure that monitoring agencies respond in a timely manner to a division request for corrective action. For example, the policies and procedures should direct division staff to conduct onsite visits to verify corrective action, or require monitoring agencies to provide progress reports by established time frames. In addition to using corrective action plans, the Division should require the use of other appropriate enforcement actions. These might include implementing a probationary period with increased division supervision or canceling qualified vendor agreements with monitoring agencies that continually fail to adequately complete their required responsibilities after other available remedies were not successful.



Home study topic areas

The Division of Developmental Disabilities’ (Division) home study is a comprehensive evaluation of a child developmental home or adult developmental home applicant(s) or licensee(s) conducted prior to initial licensure and annually thereafter.³¹ As shown in Table 2, the home study covers 24 diverse topic areas and requires the review and documentation of information about family members residing in or outside the home and any nonfamily members residing in the home, such as renters or roommates. The Division relies on contractors called monitoring agencies to conduct the home studies, which help form the basis for the monitoring agencies’ recommendations to the Division for issuing and renewing developmental home licenses. Monitoring agencies are required to enter the results of the home study into the Division’s licensing database. Division staff do not typically have frequent contact with developmental home applicants and licensees and rely largely on the information gathered by monitoring agency staff to make licensing decisions. See the Introduction, page 5, and Findings 1 and 2, pages 9 through 23, for additional information regarding monitoring agencies.

Table 2
Topic areas covered for Division’s home study of a developmental home applicant/licensee¹

Topic area	Description of information monitoring agencies should collect and enter into the Division’s licensing database
Topic areas covered once prior to initial licensure	
Experience	Explanation of the applicant’s experience parenting his/her own children and any experience with vulnerable adults or children with developmental delays, emotional disturbances, delinquency, developmental or physical impairments, or other special needs. Information about the applicant’s personal and/or work experience with behavior challenges/problems as well as experience working with people of other races, beliefs, or cultures. (Individuals with developmental disabilities receiving division services are referred to as “members.”) Monitoring agency staff assessment of how the applicant’s experiences will assist them to support members living in their home.
Motivation	Description of why the applicant wants to share his/her home with members who have developmental disabilities and assessment as to whether the applicant is realistic about expectations of having a child or an adult living in his/her home. (This information is critical because the entire family needs to agree with the decision to invite members into their home and to create a supportive home environment.)
Marriage/relationship with significant other	Details about the applicant’s current marriage/relationship and assessment of its stability, including information about any stresses or crises the applicant has faced as a couple, and the biggest compromises that have been made in the applicant’s marriage/relationship.

³¹ Married or single persons may apply for a developmental home license.

Table 2 continued

Topic area	Description of information monitoring agencies should collect and enter into the Division’s licensing database
Previous marriages/relationships with significant others	Details about previous committed relationships/marriages and, if children are involved, information on the applicant’s current relationship with them. If an applicant has not been in a committed relationship or has never been married, details about the most important relationship.
Children	Information about each child currently residing in the applicant’s home, including name and age, physical description, personality, interests, academic progress, peer and sibling relationships, and any special needs, including an explanation about how the children feel about having member children placed in their home and how they would handle difficult behaviors. If the applicant has minor or adult children not residing in the home, information about relationships and contact with them.
Applicant background	General information regarding the applicant’s background, including family and childhood, education, work histories, physical description, personality and temperament, friendships and activities enjoyed outside of the home, stress and anger management, and experiences with loss, along with an explanation about any issues or concerns that could impact the applicant’s ability to provide appropriate member care. Family background information includes parents, stepparents, guardians, and siblings; their occupations; early memories and experiences with the family; and relationship with the family.
Religion and spirituality	Details about the role of religion/spirituality in the applicant’s home and attendance at religious services. Details concerning any beliefs, rituals, or practices that might impact the care of a member, such as food or observance of holidays. Indication the applicant understands not to force beliefs on members, and how the applicant plans to support the members’ cultural, ethnic, and religious choices.
Team member participation	Information regarding the applicant’s cooperation in completing the initial licensing process, attendance at required training, and understanding of his/her role as part of the members’ treatment team, which includes division staff and other involved individuals. Includes the applicant’s willingness to attend meetings that pertain to the members’ progress and court hearings, as necessary.
Topic areas covered both prior to initial licensure and annually at license renewal	
Demographics	Name, address, telephone number, and other information about the applicant. Monitoring agency name, address, telephone number, and the monitoring agency staff designated to receive emails from the Division pertaining to the license request/renewal.
Licensing history	Any current/previous licenses, including home- and community-based services certification (see Introduction, page 4, for details about this certification) and, if previously licensed, should include research about the history and status of the license.
Child or adult preference	Indication on whether the applicant prefers to have a child or an adult in his/her home and the level of special needs they will accept. (Child and adult members are not housed in the same developmental home.) Indication that the applicant understands the legal rights of the members who will be in his/her care. Monitoring agency staff person’s professional opinion about the type of member who would fit well in the home and why.

Table 2 continued

Topic area	Description of information monitoring agencies should collect and enter into the Division’s licensing database
Client care	Descriptions of the applicant’s abilities and skills to meet members’ needs. Monitoring agency staff assessment about how these abilities and skills match with the applicant’s preferred members to be placed in his/her home, including a determination and explanation about whether the applicant has a realistic understanding of expectations about caring for members. If the home study is being completed as part of a renewal application, information about the members placed in the home over the last year, such as schedules, goals, and activities with the family.
Finances and employment	Information on whether the applicant has financial resources to meet his/her family’s needs, including details describing verification of income and expenses, information about any bankruptcies in the last 10 years, description of the applicant’s days/hours of work, and if the applicant’s schedule allows time to manage client care emergencies. Monitoring agency staff assessment of the applicant’s ability to meet the care and supervision requirements of members placed in his/her home.
Alternative supervision	Information about plans for arranging alternative supervision if the applicant is working outside the home, how many hours the members will be supervised by someone else, and the supervision plan in case of an emergency.
Relationship with member's family	Explanation of the applicant’s understanding of and willingness to support "shared parenting" with the biological family, including the applicant’s attitude toward the biological family’s involvement with the member living in the applicant’s home, and details of the applicant’s plan to share parenting duties with the biological family.
Training and skill building development	Explanation of how the monitoring agency has provided the required training for the applicant, the total number of training hours received, titles of training classes taken, and, if necessary, class descriptions.
Discipline/behavior	Information about how the applicant disciplines his/her own children, including a description of the behavior management/discipline techniques the applicant will use with members. If the application is a renewal, examples of discipline/behavior management techniques the applicant used over the last year.
Health	Information about the past and present health of the family and everyone residing in the household, including mental and behavioral health, special needs or disabilities, substance abuse history, immunizations, and any regularly prescribed medications for all household members. Monitoring agency staff summary of pertinent information from medical reports and medical self-disclosure forms, description of how medical conditions are being managed, and assessment of how this information may impact the applicant’s ability to care for members residing in the home. Date of the last physician’s statement (see Introduction, page 5, for details about this statement).
Family and household relationships	Details about the applicant’s family, such as relationships with significant others and/or relatives not on the license but living in the home, and with extended family. Information about any nonfamily members residing in the home, including roommates, boarders, or renters, such as name and relationship to applicant, employment, brief social history, financial contribution to the household, and potential interactions with members. Description of family rituals, routines, and values.

Table 2 continued

Topic area	Description of information monitoring agencies should collect and enter into the Division’s licensing database
Home	Information about the size of the home, including the number of rooms and bedrooms, along with a description of sleeping arrangements indicating bedrooms to be used by the prospective child or adult members. If a child member is going to share a bedroom with an applicant’s child, an indication of whether the child has given approval for sharing the bedroom. In addition, descriptions of housekeeping standards, repairs and upkeep of the home, and yard area, including areas for recreation and play, and details about pets and vaccinations. Indication of whether the home is accessible for persons with disabilities and, if not, what adaptations are available or would need to be made. Information on the date of the most recent division safety inspection (see Introduction, page 5, for details about this inspection), a description of any deficiencies found during the inspection, and an explanation of when and how any deficiencies were corrected. For renewal applications, a summary of fire drills conducted in the home, including how long it took the family and members to evacuate.
Transportation	Information about any vehicles the applicant will use to transport members, including current vehicle liability insurance.
Court history	Research by monitoring agency staff of publicly available court records. Indication of whether applicant has been involved in a court action. (The Division has also requested that monitoring agency staff ensure the applicant understands that he/she must disclose traffic tickets, and that if members are present in a vehicle when a driver receives a traffic ticket, a report needs to be completed and filed with the Division.)
Licensing inquiries/unusual incidents	Information about any investigations into the home during the past licensing year, including the investigation’s outcome and any followup that has been completed. This topic area is not applicable if applicants have not previously been licensed or certified.
Agreements	Indication that monitoring agency staff and the applicant discussed applicable agreements and that the applicant signed the agreements, such as the agreement acknowledging the applicant’s understanding of his/her role as developmental home licensee and the agreement indicating the applicant’s understanding of the complete application process, including a criminal record check, and granting the Division permission to investigate him/her for licensing purposes.

¹ The home study is completed for new developmental home license applicants and current licensees prior to licensure and annually thereafter. While the table refers to “applicant,” married or single persons may apply for a developmental home license.

Source: Auditor General staff analysis of a home study for an initial license, a home study for a license renewal, and the Division’s technical assistance presentation developed to help monitoring agency staff properly complete the home study.



Methodology

Auditors used various methods to address the objectives in this performance audit of the Arizona Department of Economic Security (Department)—Division of Developmental Disabilities (Division). These methods included interviewing division staff and reviewing the Division’s statutes, administrative rules, policies, procedures, and website. In addition, auditors used the following specific methods to address the audit objectives:

- To evaluate the Division’s oversight of monitoring agencies and assess the Division’s processes for ensuring monitoring agencies have the necessary expertise to fulfill their responsibilities for training and monitoring developmental home applicants and licensees, auditors:
 - Reviewed the Division’s qualified vendor application forms and readiness review checklists, and observed portions of related processes;
 - Researched recommended practices in literature as cited throughout the report;
 - Interviewed staff from three other states’ developmental disability service offices and reviewed related documentation;³²
 - Reviewed the Division’s licensing database, including information entered by monitoring agencies for initial and annual home studies;
 - Reviewed the contractual agreement that includes monitoring agencies’ requirements for training and monitoring developmental home licensees; and
 - Conducted site visits to three developmental home monitoring agencies to inspect files, interview monitoring agency staff, and review documentation.³³
- To obtain information for the Introduction, auditors analyzed department-prepared financial information through February 27, 2017, from its Financial Management Control System for fiscal years 2014 and 2015, and from the Arizona Financial Information System and other financial information for fiscal years 2016 and 2017. Auditors also reviewed division staffing reports, organizational charts, annual reports, and strategic plans.
- Auditors’ work on internal controls included reviewing and assessing the Division’s processes for entering contractual agreements with monitoring agencies and whether the Division requires them to meet minimum qualifications. Auditors’ conclusion on these internal controls are reported in Finding 1 of the report. In addition, auditors performed work in Finding 2 to determine whether the Division had controls to oversee monitoring agencies, such as verifying the accuracy of monitoring agency-provided information, tracking monitoring

³² The three states auditors contacted were Nevada, Oregon, and Utah. Auditors selected these states because similar to Arizona, they use third-party contractors to manage entities that provide services similar to the Division’s child and adult developmental homes.

³³ As of March 2017, the Division had 38 monitoring agencies with active developmental home licensees (two of the Division’s monitoring agencies did not have active developmental home licensees at this time). Auditors judgmentally selected and visited 1 monitoring agency with adult developmental homes. Auditors then selected 2 additional monitoring agencies to visit by conducting a stratified random sample of monitoring agencies with child developmental homes located in Maricopa and Pinal Counties based on the number of developmental homes overseen by the monitoring agency. Auditors randomly selected one monitoring agency having 15 or fewer homes and another monitoring agency having more than 15 homes. Auditors reviewed the first one to two licensee files from four randomly selected files for each monitoring agency based on whether individual(s) with disabilities eligible for division services were currently residing with the licensees.

agencies' activities, and regularly taking enforcement actions to address deficiencies in monitoring agencies' performance.

Auditors conducted this performance audit of the Department in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Auditor General and staff express their appreciation to the Department's director, management, and staff for their cooperation and assistance throughout the audit.

AGENCY RESPONSE



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Douglas A. Ducey
Governor

Michael Traylor
Director

SEP 18 2017

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

Dear Ms. Davenport,

The Arizona Department of Economic Security (ADES) appreciates the opportunity to provide a response to the Performance Audit of the Division of Developmental Disabilities (DDD) conducted by your office that was received on September 6, 2017. The Department is committed to continuous quality, improvement, transparency, and accountability.

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

Sincerely,

Michael Traylor
Director

Enclosures: ADES/DDD Performance Audit

Finding 1: Division should establish minimum qualifications for contractors that train and monitor developmental home licensees

Recommendation 1.1: The Division should establish minimum qualification and annual training requirements to help ensure monitoring agency applicants and, as applicable, their staff are and remain qualified to fulfill their responsibilities. Specifically, the Division should establish and coordinate a work group to develop minimum qualification and annual training requirements for monitoring agency applicants and staff. The Division's work group should:

Recommendation 1.1a: Include personnel from the Division's contracting, licensing, and quality assurance units as well as representatives from various external stakeholder groups, such as representative(s) from the Division's member population, guardian/family members, monitoring agency staff, and child and adult developmental home licensees;

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

Response explanation: The Division agrees and will establish minimum qualifications and standards for monitoring agencies to standardize the qualified workforce to support members in developmental homes. A work group including stakeholders will be chartered to address these recommendations.

Recommendation 1.1b: Study and identify effective minimum initial qualifications, such as specific education and/or experience requirements for monitoring agency applicants and staff; and

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

Response explanation: The Division agrees that minimum qualifications for monitoring agency staff should be established in effort to standardize the qualified workforce to support members in developmental homes. The workgroup will study and identify effective minimum qualifications for monitoring agency applicants and staff. The group members will share ideas from their own work experience or education in the field of developmental disabilities. The workgroup will also research current trends and best practices incorporated by other social service entities both within Arizona and in other states.

Recommendation 1.1c: Study and identify annual training requirements for monitoring agency staff.

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

Response explanation: In order to ensure best practices for service delivery to Division members, the workgroup will identify effective annual training requirements for monitoring agency staff. The workgroup members will share ideas from their own work or education in the field of developmental disabilities. The workgroup will also research current trends and best practices incorporated by other social service entities both within Arizona and in other states.

Recommendation 1.2: After the work group has identified minimum qualification and annual training requirements for monitoring agency applicants and their staff, to help ensure monitoring agencies are aware of and meet these requirements, the Division should develop and implement a policy that incorporates these new requirements.

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

Response explanation: Once the workgroup has identified minimum qualification and training requirements for monitoring agency staff, the DDD provider manual will be updated to reflect the requirements.

Recommendation 1.3: The Division should revise its qualified vendor agreement documentation to reflect its policy and ensure that monitoring agency applicants and their staff meet these requirements.

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

Response explanation: Once the workgroup has identified effective qualification and training requirement for monitoring agency staff, the qualified vendor agreement will be updated to reflect the requirements.

Finding 2: Division lacks process for overseeing its contractors that train and monitor developmental home licensees

Recommendation 2.1: The Division should take several steps to establish a process for overseeing its contracted monitoring agencies. Specifically, the Division should:

Recommendation 2.1a: Develop and implement a policy that clearly defines monitoring agency roles, responsibilities, and requirements, including the requirements for conducting the “annual home visit” and the “monitoring visits”;

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

Response explanation: The provider manual will be updated to clearly define the roles and responsibilities of the monitoring agency. It will clarify ongoing monitoring, the role of the monitoring agency in the pre-licensure process, member placement, investigations, and all other aspects of the licensing process.

Recommendation 2.1b: Specify in its policy the type of records monitoring agencies must maintain to document their activities;

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

Response explanation: The Division has assembled a partial listing of documents that monitoring agencies should maintain to ensure licensing compliance; it will finalize this

list of documents. Currently, when agencies submit a license application, they also submit an “Agency Statement of Acknowledgement” which affirms that the agency has specified documentation on file. While agencies cooperate with the Division in this process, it will be more clearly defined through the use of the provider manual or in policy.

Recommendation 2.1c: Ensure that the responsibilities and requirements established in its policy are incorporated in its qualified vendor agreement; and

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

Response explanation: Once the policies associated with developmental home monitoring are clarified, the qualified vendor agreement will be updated.

Recommendation 2.1d: Ensure that the responsibilities and requirements specified in the various qualified vendor agreement documents are internally consistent and reflect actual practice where appropriate.

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

Response explanation: The Division will continue to review to ensure that the responsibilities and requirements specified in the various qualified vendor agreement documents are internally consistent and reflect actual practice where appropriate.

Recommendation 2.2: To assist monitoring agencies in performing their responsibilities, the Division should:

Recommendation 2.2a: Develop and provide standardized guidance, including a checklist that would help facilitate a standard and consistent approach for the required home visits; and

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

Response explanation: The Division will either develop a standardized monitoring tool to be used by all developmental home monitoring agencies or establish a checklist for monitoring agencies to use to develop their own monitoring tool for home visits.

Recommendation 2.2b: Develop and/or provide additional guidance for monitoring agencies to help ensure they submit more complete information for the home study in an effort to reduce division requests for additional information.

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

Response explanation: The Division currently provides technical support seminars several times per year on the home study process. The Division will continue to schedule these seminars and in addition will revise existing technical assistance documents to provide additional guidance on the required components of a home study. Additionally, new licensing workers, who request Quick Connect access, will be tracked to monitor

volume of new licensing workers and establish timelines for each completing this seminar. Additional ad hoc technical assistance meetings will be scheduled for agencies with higher add rates of new licensing workers.

Recommendation 2.3: The Division should enhance the guidance and/or resources it provides to monitoring agencies to help ensure they provide appropriate training to licensees. Specifically, the Division should develop and provide guidance, such as suggested course curricula or outlines of course content, which could include applicable laws/regulations and best practices, for its list of training topics. Additionally, the Division should develop guidance regarding fundamental content that must be covered in specific training topics for licensees and/or provide training materials to assist monitoring agencies to deliver trainings or make referrals to other resources, such as recognized adult learning experts, that could help monitoring agencies develop and deliver effective and appropriate trainings to licensee.

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

Response explanation: The Division has already taken steps to implement this recommendation. Developmental home licensing is governed by A.A.C. R6-6-1001 et. seq and R6-6-1101 et. seq. Both are currently under revision. The new proposed rules contain a more specific list of training topics for licensees. The Division will provide written guidance regarding the specific content that must be covered within each topic. All Qualified Vendors are required to have training resources either internally or externally for all required training.

Recommendation 2.4: The Division should develop and implement policies and procedures to guide and direct its staff in conducting oversight activities of its contracted monitoring agencies. These policies and procedures should:

Recommendation 2.4a: Identify the various oversight activities division staff should perform and how these activities should be performed. Oversight activities should include conducting onsite visits, reviewing monitoring agencies' hardcopy files, and/or requesting supporting documentation, which may include electronic signatures/acknowledgements, to verify information monitoring agencies enter into the Division's database. The Division should also review monitoring agency supporting documentation for home visits to help ensure these visits were completed in accordance with rule and qualified vendor agreement requirements. For example, once the Division clearly defines the requirements of the "annual home visit" and the "monitoring visits" in the qualified vendor agreement, it should ensure that monitoring agencies meet these requirements by either conducting onsite visits, reviewing monitoring agencies' hardcopy files, and/or requesting and reviewing supporting documentation. In addition, the Division should review a sample of monitoring agency documentation for trainings provided to licensees to help ensure the training is appropriate given the needs of the licensees and the members;

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

Response explanation: The Division will establish monitoring procedures and allocate monitoring staff for the oversight of the developmental home vendor agencies. Monitoring staff will conduct site visits at regular intervals. Site visits will include reviews

of copy licensing files (hard copy or digital) and monitoring reports from the agency monitoring visits.

Recommendation 2.4b: Direct how information in the division database should be reported and used, including the development of management reports. Specifically, the Division should require its monitoring agencies to enter information into the database fields in such a way as to facilitate the Division's ability to generate timely, accurate, and useful reports of monitoring agencies' activities. The Division should then develop and generate management reports that provide information on monitoring agency activities, such as whether monitoring agencies are timely in completing unannounced home visits, whether home visits are conducted with an appropriate frequency during the license renewal year, and whether licensee training is completed in a timely manner. Finally, the Division should ensure that its policies and procedures include the requirement and process for generating and reviewing these reports; and

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

Response explanation: The current licensing database does not have the ability to generate reports on either the timeliness or the quality of monitoring visits. Quick Connect is a licensing database that was created around 2006 and is shared with Department of Child Safety (DCS). The Division may consider replacing Quick Connect in the future. In the interim, DES will work with DCS to request an enhancement to Quick Connect to develop monitoring reports.

Recommendation 2.4c: Require the use of corrective action plans or other appropriate enforcement actions when the Division identifies deficiencies in monitoring agencies' activities. For example, when the Division discovers instances of poor performance among its contracted monitoring agencies, it should require that monitoring agencies develop and implement corrective action plans that would identify how the monitoring agency plans to correct deficiencies, timelines for correction, and any potential training needs. In addition, the Division's policies and procedures should ensure that monitoring agencies respond in a timely manner to a division request for corrective action. For example, the policies and procedures should direct division staff to conduct onsite visits to verify corrective action, or require monitoring agencies to provide progress reports by established time frames. In addition to using corrective action plans, the Division should require the use of other appropriate enforcement actions. These might include implementing a probationary period with increased division supervision or canceling qualified vendor agreements with monitoring agencies that continually fail to adequately complete their required responsibilities after other available remedies were not successful.

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

Response explanation: The Division will expand its use of corrective action plans and other enforcement actions to ensure compliance with corrections of deficiencies and will outline vendor requirements in policy, the provider manual, and/ or in the qualified vendor agreement.

