

ARIZONA
— DEPARTMENT OF —
ECONOMIC SECURITY

Katie Hobbs
Governor

Michael Wisehart
Director

September 25, 2025

Ms. Lindsey Perry, CPA, CFE
Auditor General
Arizona Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

RE: Auditor General's Report, Division of Developmental Disabilities, Sunset Review

Dear Ms. Perry:

The Arizona Department of Economic Security (Department) has reviewed the Auditor General's report and plans to implement the recommendations contained herein.

The Department is dedicated to cultivating a culture of excellence, accountability, and innovation. Our commitment to continuous improvement is integral to our operations, guiding us in the refinement of internal processes and the enhancement of service quality. The Department will persist in evaluating its performance, soliciting feedback, and implementing modifications that advance our mission to better serve the citizens of Arizona.

The Department acknowledges and appreciates the diligence and collaboration demonstrated by the staff of the Office of the Auditor General throughout the Sunset Review process.

If you have any questions, please contact Zane Garcia Ramadan, Assistant Director, Division of Developmental Disabilities, at (602) 542-0068 or zramadan@azdes.gov.

Sincerely,



Michael Wisehart
Director

Attachment

Finding 1: Department failed to appropriately classify and subsequently investigate and resolve some reported incidents involving DDD members, thereby not helping to ensure their safety and welfare.

Department response: The Auditor General's finding is agreed to.

Recommendation 1: Follow AHCCCS policy to ensure it appropriately classifies and investigates all incidents that are quality-of-care concerns.

Department response: The audit recommendation will be implemented.

Response explanation: The Arizona Department of Economic Security (DES/Department) will request clarity from Arizona Health Care Cost Containment System (AHCCCS) for the determination of quality of care concerns in current AHCCCS policy in order to update DES/Division of Developmental Disabilities (DDD) processes to ensure alignment.

Recommendation 2: Work with AHCCCS to determine whether it should perform a risk-based review of prior incidents that it did not determine were quality-of-care concerns, including those identified as medication errors with appropriate intervention.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will request guidance from AHCCCS.

Recommendation 3: Immediately report all incidents to AHCCCS, including both quality-of-care and non-quality-of-care incidents, as required by AHCCCS policy.

Department response: The audit recommendation will be implemented.

Response explanation: The Department implemented direct entry of all incidents into the AHCCCS Quality Management (QM) Portal in June 2025. On November 1, 2025, all Division contracted Qualified Vendors and Providers are required to submit reportable incidents per AHCCCS Medical Policy Manual (AMPM) and Division policy directly into the AHCCCS QM Portal.

Finding 2: Department did not timely and consistently address some quality-of-care concern investigation violations it identified, and those violations could put DDD members' health and safety at risk.

Department response: The Auditor General's finding is agreed to.

Recommendation 8: Follow up with DDD vendors the day after their CAP remediation response is due if no response has been received, as required by Department procedures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will review current policies and standard work to ensure oversight of required actions and add resources where required to meet these timelines.

Recommendation 9: Conduct followup visits within 30 days of approving DDD vendors' CAP remediation responses, as required by Department procedures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will review current policies and standard work to ensure oversight of required actions and add resources where required to meet these timelines.

Recommendation 10: Identify and reassign administrative tasks to support staff, such as tracking due dates of CAP remediation responses, logging vendor responses, and sending routine communications.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will review current policies and standard work for opportunities and availability of resources and add resources where required to meet these timelines.

Recommendation 11: Continue implementing the pilot project requiring DDD investigative nurses to review and accept CAP remediation responses within 14 days of being received, evaluate the pilot project to determine its effectiveness and identify any needed changes, and update and implement procedures accordingly to help ensure timely CAP response review and acceptance.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will implement this into current standard work.

Recommendation 12: Develop and implement procedures for tracking and monitoring the 30-day followup visits using the DDD district tracker.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has initiated process improvements to update standard work to clarify responsibilities and timelines for follow-up. In addition, the current tracking mechanism was updated in May 2025 to provide real-time visual display of upcoming due dates.

Recommendation 13: Develop and implement procedures for handling DDD vendors that do not implement or sustain required corrective actions, including identifying who DDD district nurses should inform if corrective actions have not been implemented and/or sustained.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has updated the standard work to include how to elevate Vendor non-compliance or sustained compliance for further review and other actions, including referral to the Contract Actions Unit.

Recommendation 14: Develop and implement procedures for handling DDD vendors that do not implement or sustain required corrective actions, including assigning responsibility for reviewing inspection reports involving corrective actions that have not been implemented/sustained.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has updated the standard work to include how to elevate Vendor non-compliance or sustained compliance for further review and other actions, including referral to the Contract Actions Unit.

Recommendation 15: Develop and implement procedures for handling DDD vendors that do not implement or sustain required corrective actions, including outlining any further actions that should be taken when followup visits identify continued noncompliance, such as conducting additional monitoring and/or recommending the vendor be subject to additional enforcement actions.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has updated the standard work to define the steps for monitoring at 30-, 60- and 90- day intervals; elevating continued noncompliance to Quality Management Unit leadership; and elevation to the Contract Action Unit for further contract action, up to termination.

Recommendation 16: Develop and implement procedures for handling DDD vendors that do not implement or sustain required corrective actions, including providing guidance and outlining responsibility for who should send warning emails to vendors that remain out of compliance and when cases should be elevated to DDD leadership.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has updated standard work on the process to elevate Vendor non-compliance to Quality Management leadership.