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Performance Audit and Sunset Review

Arizona Department of Economic Security

Department calculated child support payments we reviewed in accordance with statute and had processes to help ensure timely and consistent Adult Protective Services (APS) investigations, but had a $122 million fiscal year 2025 budget shortfall in the Division of Developmental Disabilities (DDD) and did not comply with some State conflict-of-interest requirements



Report 25-116
September 2025

Lindsey A. Perry
Auditor General

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September 30, 2025

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Director Wisehart
Arizona Department of Economic Security

Transmitted herewith is the Auditor General's report, *A Performance Audit and Sunset Review of the Arizona Department of Economic Security.* This report is in response to a November 21, 2022, resolution of the Joint Legislative Audit Committee. The performance audit and sunset review 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 to provide a quick summary for your convenience.

As outlined in its response, the Department agrees with all the findings and plans to implement or implement in a different manner all the recommendations. My Office will follow up with the Department in 6 months to assess its progress in implementing the recommendations. I express my appreciation to Director Wisehart and Department staff for their cooperation and assistance throughout the audit.

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

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

Arizona Department of Economic Security

Performance Audit and Sunset Review

Department calculated child support payments we reviewed in accordance with statute and had processes to help ensure timely and consistent Adult Protective Services (APS) investigations, but had a $122 million fiscal year 2025 budget shortfall in the Division of Developmental Disabilities and did not comply with some State conflict-of-interest requirements

Audit purpose

To provide information on the Department's processes for receiving and investigating allegations of abuse, neglect, and exploitation of vulnerable adults and on the Parents as Paid Caregivers (PPCG) Program for minor children with developmental disabilities; to determine whether the Department complied with the State's conflict-of-interest requirements; and to respond to the 10 statutory sunset factors.[1]

Key findings

- Department is responsible for providing various human services to the public, including providing and coordinating services for eligible Arizonans with developmental disabilities and receiving and investigating allegations of abuse, exploitation, and neglect of vulnerable adults through its APS program. It had developed processes to help ensure timely and consistent APS investigations but can improve its tracking of initial contact with alleged victims.
- Department calculated child support payments we reviewed in accordance with statute.
- Department has taken steps to implement federal corrective action plans to reduce improper Supplemental Nutrition Assistance Program benefit payments.
- Department has established homeless service performance measures that include some outcomes and long-term goals but lacks benchmarks or short-term goals related to these measures, which could help it better assess and improve the effectiveness of its homeless services State-wide.
- Department timely investigated and resolved all certified childcare home provider complaints it received in fiscal year 2024.

[1] The Arizona Auditor General conducted this performance audit and sunset review of the Department pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.

- Department had $122 million Division of Developmental Disabilities budget shortfall in fiscal year 2025, and several factors may have contributed to the shortfall, including increased utilization of attendant care services, which parents can be compensated for through the PPCG Program.

- Department did not comply with some State conflict-of-interest requirements or follow some recommended practices, increasing the risk that employees and public body members did not disclose interests that might influence their official conduct.

Key recommendations to the Department

- Develop and implement a process to annually track initial contact with alleged APS victims.

- Implement its fiscal year 2026 strategic plan to develop and implement benchmarks and short-term goals for its existing homeless service performance measures.

- Develop and implement comprehensive conflict-of-interest policies and procedures to help ensure compliance with State requirements and recommended practices.

TABLE OF CONTENTS

INTRODUCTION 1

- History and mission
- Responsibilities, organization, and staffing
- Revenues and expenditures

FINDING 1 11

Department did not comply with some State conflict-of-interest requirements, increasing risk that employees and members of public bodies had not disclosed substantial interests that might influence or could affect their official conduct

- Statute addresses conflicts of interest for public agency employees and public officers
- Department did not comply with some State conflict-of-interest requirements, and its conflict-of-interest process was not fully aligned with recommended practices
- Department's noncompliance with some State conflict-of-interest requirements and recommended practices increased risk that employees and members of public bodies did not disclose substantial interests that might influence or affect their official conduct
- Department lacked a comprehensive conflict-of-interest policy

QUESTIONS AND ANSWERS—PPCG 17

- Question 1: What is the Parents as Paid Caregivers Program (Program) for minor children?
- Question 2: When was the Program established?
- Question 3: How is the Program funded?
- Question 4: What factors may have potentially contributed to the Department's $122 million budget shortfall in fiscal year 2025, including factors potentially related to the Program?
- Question 5: What changes did legislation enacted in 2025 during the Fifty-seventh Legislature, first regular session, make to the Program?

QUESTIONS AND ANSWERS—APS 24

- Department's APS program is responsible for receiving and investigating allegations of abuse, exploitation, and neglect of vulnerable adults
- Question 1: What does it mean to be a vulnerable adult?
- Question 2: How can someone report an allegation of abuse or neglect of a vulnerable adult to APS?
- Question 3: What information will a reporter be asked to provide to the APS Central Intake Unit phone staff or on the web intake form?
- Question 4: How many allegation intakes did the APS Central Intake Unit receive by phone and web intake form in calendar year 2025, and how many were opened for investigation?
- Question 5: What criteria need to be met for an allegation intake to be opened for investigation?
- Question 6: How did APS Central Intake Unit staff perform based on a sample of allegation intakes reviewed?
- Question 7: What happens during an APS investigation to determine whether an allegation should be substantiated or not?
- Question 9: Did investigators meet priority-level response time frames to make initial contact with alleged victims and the Department's performance goal to complete investigations in calendar year 2023?
- Question 10: Did APS follow its policies and procedures related to investigations including the completion of administrative, investigatory, and supervisory tasks for a sample of cases reviewed (e.g., obtain medical records or police records and cross-report to other agencies)?

SUNSET FACTORS 38

SUMMARY OF RECOMMENDATIONS 72

The Arizona Auditor General makes 30 recommendations to the Department

APPENDIX A a-1

Department provided services to clients through various programs in fiscal year 2024

APPENDIX B b-1

Department supports 10 public bodies

APPENDIX C c-1

Scope and methodology

DEPARTMENT RESPONSE

FIGURES

Figure 1 20

DDD membership, including minor DDD membership, grew approximately 18% from fiscal years 2023 to 2025

Figure 2 22

Minor DDD members authorized to receive attendant care increased approximately 135% from fiscal years 2023 to 2025

Figure 3 27

Number of investigations Central Intake Unit opened has remained fairly steady since fiscal year 2023 while the number of allegation intakes has steadily increased

TABLES

Table 1 7

Schedule of revenues, expenditures, and changes in fund balances
Fiscal years 2023 through 2025
(Unaudited)

Table 2 23

Laws 2025, Ch. 93, added or modified Program requirements

Table 3 44

Department only met its 10-audit per month per DDD triage nurse goal for 1 nurse in 1 month from January to November 2024

Table 4 47

Although Department's SNAP improper payment rate decreased from federal fiscal year 2022 to federal fiscal year 2024, it remained above 6% and consisted primarily of benefit overpayments

Table 5 50

Department was untimely in issuing most unemployment insurance and public assistance program first-level appeal decisions in fiscal year 2024

Table 6 63

The Department's divisions received and resolved complaints, grievances, and intakes of allegations from various sources in fiscal year 2024 (Unaudited)

Table 7 a-1

Department data indicates it provided services to multiple clients through its various programs in fiscal year 2024

INTRODUCTION

The Arizona Auditor General has released the final report in a series of 4 audit reports of the Arizona Department of Economic Security (Department) as part of the Department's sunset review. The first performance audit assessed the Department's provision of customer service for accessing its Unemployment Insurance Program in calendar year 2023.[1] The second performance audit assessed the Department's Division of Developmental Disabilities' compliance with requirements for quality-of-care concern triage and investigations pursuant to its contract with the Arizona Health Care Cost Containment System.[2] The third performance audit assessed whether the Department provided sufficient oversight of Arizona's 8 Area Agencies on Aging, consistent with the Department's State Plan.[3] This sunset review report determined whether the Department complied with the State's conflict-of-interest requirements and provides information on the $122 million shortfall in DDD's fiscal year 2025 budget, including potential contributing factors of the shortfall, as well as the Parents as Paid Caregivers program. Additionally, it provides information on the Department's Adult Protective Services program's intake and investigation processes. Finally, it provides responses to the 10 statutory sunset factors.

History and mission

The Legislature established the Department in 1972 by consolidating the authority, power, and duties of the Employment Security Commission of Arizona and its divisions, the State Department of Public Welfare, the Division of Vocational Rehabilitation, the State Office of Economic Opportunity, and the State Office of Manpower Planning, into a single State agency.[4,5] Laws 1973, Chapter 158, eliminated the State Department of Mental Retardation and transferred its duties to the Department. The intent of these legislative actions was to provide an integrated approach to human services by reducing duplication of efforts and creating a single department that would provide coordinated human services to the public (see pages 2 through 5 for more information on the programs and services the Department provides). In 2014, the Legislature also established the Arizona Department of Child Safety, which assumed the Department's child welfare and child protective services functions.[6]

Department mission

To strengthen individuals, families, and communities for a better quality of life.

Source: Department website.

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1 See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*.

2 See Arizona Auditor General report 25-114 *A Performance Audit of the Arizona Department of Economic Security—Division of Developmental Disabilities*.

3 See Arizona Auditor General report 25-115 *A Performance Audit of the Arizona Department of Economic Security—Contract Oversight of Area Agencies on Aging*.

4 Arizona Revised Statutes (A.R.S.) §§41-1952(A) and 41-1953(E),(F).

5 This consolidation included transferring the State Department of Public Welfare's child welfare and child protective services responsibilities to the Department.

6 A.R.S. §8-451.

Responsibilities, organization, and staffing

Statute outlines the Department's key statutory responsibilities related to providing human services through more than 60 different programs, and the Department has 6 client service divisions responsible for administering these programs. As of September 2025, the Department had 7,985 filled full-time equivalent positions (FTEs) and 1,493 vacancies.

The responsibilities of its client service divisions, other Department-supporting divisions, and their staffing as of September 2025 are as follows:

- **Division of Benefits and Medical Eligibility (DBME) (2,225 FTEs, 728 vacancies)**

  DBME is responsible for determining eligibility for multiple programs that help low-income individuals and families meet their basic needs. These programs include the federal Supplemental Nutrition Assistance Program (SNAP) that provides eligible households with monthly benefits to purchase food; cash assistance through the federal Temporary Assistance for Needy Families (TANF) program, which provides temporary cash benefits to Arizona's neediest children and their families; and medical assistance provided in partnership with the Arizona Health Care Cost Containment System (AHCCCS), the State's Medicaid agency, for which the Department determines medical insurance coverage eligibility for low-income individuals, children, and families living in Arizona.[7] Each of these programs have various eligibility requirements in order to obtain services, including certain income requirements. See Appendix A, page a-1, for additional information on DBME clients and services for fiscal year 2024.

- **Division of Developmental Disabilities (DDD) (2,622 FTEs, 135 vacancies)**

  DDD is responsible for providing and coordinating services for eligible Arizonans with 1 of 5 qualifying diagnoses that manifested before the age of 18 and are likely to continue indefinitely, and have documented substantial functional limitations in 3 or more of 7 daily life skills (see textbox for a list of qualifying diagnoses and the 7 daily life skills).

Qualifying life diagnoses for DDD eligibility and 7 daily life skills

Qualifying life diagnoses:

- Autism.
- Cerebral palsy.
- Epilepsy.
- Cognitive/intellectual disability.
- Down syndrome.

Daily life skills:

- Receptive and expressive language.
- Learning.
- Self-direction.
- Self-care.
- Mobility.
- Capacity for independent living.
- Economic self-sufficiency.

Source: Auditor General staff review of A.R.S. §36-551 and DDD April 2025 eligibility packet.

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[7] The Department and AHCCCS have an intergovernmental agreement that requires the Department to review applications and determine applicant eligibility for most AHCCCS programs. See Arizona Auditor General report 22-112 *Arizona Health Care Cost Containment System—Performance Audit and Sunset Review*.

DDD members can receive various services or support in their homes or the community based on the severity of their disability and their financial limitations, such as attendant care and speech/hearing therapy. As discussed in our September 2025 report on DDD, most members eligible for DDD services receive services through the Arizona Long Term Care System (ALTCS), which is administered by AHCCCS and funded by both the State and federal government.[8,9] AHCCCS contracts with the Department to administer services to eligible ALTCS members with a developmental disability. The Department is compensated by AHCCCS for ALTCS member services through a monthly per member capitated payment amount that AHCCCS sets annually. Additionally, the Department, through AHCCCS, administers the Parents as Paid Caregivers Program to allow parents of minor DDD children to be paid caregivers for some home- and community-based services (see Questions and Answers—PPCG, pages 17 through 23, for additional information on the Parents as Paid Caregivers Program). See Appendix A, page a-1, for additional information on DDD clients for fiscal year 2024.

- **Division of Employment and Rehabilitation Services (DERS) (1,058 FTEs, 244 vacancies)**

DERS is responsible for providing programs and services that are focused on improving Arizona's workforce, including assisting individuals who are unemployed or underemployed or who face barriers to employment. For example, DERS is responsible for administering the State's unemployment insurance (UI) program that provides temporary income to eligible workers who have lost their job through no fault of their own (see textbox for more information on the Department's implementation of a new information technology [IT] system for the UI Program).[10]

UI Program's IT system modernization

As discussed in our June 2025 report on the Department's UI Program, the Department began working with a contractor in December 2022 to develop and implement a new UI Program IT system. The Department initially planned to implement its new UI Program IT system in October 2024, but the Department did not meet its planned implementation date. In December 2024, the Department requested and received approval from the Information Technology Authorization Committee (ITAC) to revise the implementation date to September 14, 2025.[1] During the December 2024 meeting, the Department cited multiple reason for requesting the revised date, including issues with data conversion and the amount of changes needed to bring the new IT system into compliance with State laws and regulations. On September 7, 2025, the Department launched its new UI Program IT system.

[1] ITAC is statutorily required to approve or disapprove all proposed IT projects that exceed total costs of $1 million and to approve any project changes.

Source: Auditor General staff review of Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*; A.R.S. §18-121; the December 18, 2024, ITAC meeting; and the Department's website and UI Program IT system.

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[8] See Arizona Auditor General report 25-114 *A Performance Audit of the Arizona Department of Economic Security—Division of Developmental Disabilities.*

[9] ALTCS is part of the State's Medicaid program—administered by AHCCCS and funded by both the State and federal government—to provide long-term care services at little or no cost to eligible Arizona residents, including individuals who are elderly, blind, disabled, or have a developmental disability and require nursing level of care.

[10] The UI Program is a joint federal/State program. For more information on this program, see Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*.

Additionally, DERS is responsible for administering employment services, including some services under the federal Workforce Innovation and Opportunity Act of 2014. This includes providing basic and individualized career services to job seekers, such as job search assistance or career and vocational counseling. Further, DERS is responsible for helping individuals with disabilities achieve goals of employment and independence through the Vocational Rehabilitation program to help Arizonans with disabilities prepare for, enter, and retain employment. Finally, DERS is responsible for licensing legally blind individuals to become entrepreneurs and own and operate merchandising businesses, such as food vending machines, through the Business Enterprise Program. See Appendix A, page a-1, for additional information on DERS clients and services for fiscal year 2024.

Division of Child Support Services (DCSS) (522 FTEs, 19 vacancies)

DCSS is responsible for assisting custodial parents with identifying and obtaining financial resources from noncustodial parents to provide for their children's care, also known as child support. For example, DCSS is responsible for receiving child support monies from noncustodial parents and distributing payment to custodial parents, the State, or other jurisdictions based on an established court order. Additionally, DCSS is authorized to take enforcement actions when a noncustodial parent is not making payments, such as issuing an administrative income-withholding order to collect unpaid child support from their earnings. DCSS is also responsible for administering the Hospital Paternity Program to legally establish paternity, including offering genetic testing. See Appendix A, page a-1, for additional information on DCSS clients and services for fiscal year 2024.

Division of Aging and Adult Services (DAAS) (435 FTEs, 34 vacancies)

DAAS is responsible for providing services to support older Arizonans, vulnerable adults, and refugees. This responsibility includes operating the Adult Protective Services (APS) program, which is responsible for accepting and investigating reports of abuse, neglect, and exploitation of vulnerable adults ages 18 and older (see Questions and Answers—APS, pages 24 through 37, for additional information on APS processes for receiving and investigating reports of abuse, neglect, and exploitation of vulnerable adults). Additionally, DAAS is responsible for administering various programs in partnership with the State's 8 Area Agencies on Aging to coordinate services using both federal and State monies, including providing home- and community-based services to help older adults live independently, such as adult day care, housekeeping, and transportation (see Arizona Auditor General report 25-115 for additional information on the Department's contract oversight of the State's 8 Area Agencies on Aging).[11,12] DAAS is also responsible for administering the federal Refugee Resettlement Program to provide assistance—primarily employment-related services and English language training—to refugees and other eligible beneficiaries.[13] See Appendix A, page a-2, for additional information on DAAS clients and services for fiscal year 2024.

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[11] The State's 8 Area Agencies on Aging are contracted with the Department to plan and coordinate services for older adults at the local level and to provide various programs and services either directly or through subcontracts.

[12] Arizona Auditor General report 25-115 *A Performance Audit of the Arizona Department of Economic Security—Contract oversight of Area Agencies on Aging*.

[13] According to the Department, eligible beneficiaries include asylees, Cuban and Haitian entrants, special immigrants from Afghanistan and Iraq, foreign-born victims of severe forms of human trafficking, certain Amerasians, and Afghan and Ukrainian Humanitarian Parolees.

- **Child and Community Services Division (CCSD) (236 FTEs, 49 vacancies)**

  CCSD is responsible for providing and coordinating various programs that are intended to meet the immediate and short-term needs of vulnerable Arizonans, such as operating the State's Homeless Coordination Office that uses both State and federal monies to contract with providers to provide services aimed at ending homelessness. CCSD is also responsible for administering the Domestic Violence Program to coordinate with providers for services, such as emergency shelter, for survivors of domestic, sexual, and family violence, as well as the Low-Income Home Energy Assistance Program, which is a federally funded program that helps low-income households pay their heating and cooling bills. Additionally, CCSD is responsible for administering the Child Care Assistance program, which uses federal monies to provide eligible, low-income, working families with financial assistance for childcare reimbursement, and for certifying and regulating childcare home providers.[14] Finally, CCSD is responsible for operating the Arizona Early Intervention Program, which provides early intervention services for families of infants and toddlers, from birth through age 2, who have developmental disabilities and/or significant developmental delays. See Appendix A, page a-2, for additional information on CCSD clients and services for fiscal year 2024.

- **Office of the Director and other Department offices and divisions (887 FTEs, 284 vacancies)**

  In addition to the 6 client service divisions, the Department's Office of the Director, in conjunction with other Department offices and operational divisions, is responsible for providing centralized administrative services to Department staff.

  These include:

  - **Office of the Director (86 FTEs, 2 vacancies)**

    Composed of multiple offices, administrations, and units that provide support for the Department, such as legal counsel and communications; the Governance and Innovation Administration that manages the Department's administrative policies, rulemaking, and public records requests; and the Office of Legislative Affairs that serves as the primary point of contact for the State Legislature.

  - **Division of Business Services (156 FTE, 15 vacancies)**

    Provides customer service support for Department staff in various areas including facilities management, supply and printing services, fleet services, accounts receivable, and employee engagement and professional development.

  - **Division of Financial Operations (138 FTEs, 18 vacancies)**

    Responsible for authorizing and managing contracting and purchasing activities and accounts payable, and facilitating the Department's payroll processes.

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[14] Childcare home providers care for up to 4 children in their home or in the children's own home for compensation (see Sunset Factor 3, pages 56 through 57, and Sunset Factor 7, page 69, for more information).

- **Human Resources Administration (51 FTEs, 0 vacancies)**

  Responsible for the daily administration of all personnel-related work activities, such as providing guidance and advice to management, performing recruitment activities, and maintaining and processing personnel files.

- **Division of Technology Services (286 FTEs, 126 vacancies)**

  Responsible for all IT for the Department, such as systems support, securing the network and infrastructure for agency applications, devices and equipment, and the development and implementation of the IT strategic plan.

- **Office of Inspector General (163 FTEs, 123 vacancies)**

  Responsible for conducting administrative and criminal investigations of fraud, conducting internal affairs investigations of employee misconduct, internal audit, and holding hearings related to benefit program appeals.

- **Arizona Developmental Disabilities Planning Council (ADDPC) (7 FTEs, 0 vacancies)**

  Reauthorized by Executive Order No. 2020-04, ADDPC responsibilities include implementing a State Plan for individuals with developmental disabilities, and the executive order states the Department must provide administration and technical support for the ADDPC. See Appendix B, pages b-2 through b-3, for additional information about the ADDPC.

Finally, the Department supports 10 public bodies, including advisory councils, boards, and committees, that are responsible for fulfilling various duties and purposes. See Appendix B, pages b-1 through b-5, for more information about these public bodies, including their membership and vacancies.

Revenues and expenditures

As shown in Table 1 (see pages 7 through 10), the Department has various revenue sources, including State General Fund appropriations, federal grants and reimbursements, and employer UI contributions. The Department's estimated fiscal year 2025 revenues were approximately $9.8 billion, with nearly $7.3 billion estimated to come from grants and reimbursements, including federal grants for SNAP and TANF, and ALTCS contract payments from AHCCCS for individuals with developmental disabilities. The Department also estimated it will receive more than $1.8 billion in State General Fund appropriations in fiscal year 2025. Additionally, as discussed in our September 2025 report on DDD, in April 2025, the Legislature provided the Department a supplemental appropriation of more than $122 million through an emergency measure in Laws 2025, Ch. 93, to address a shortfall in DDD's fiscal year 2025 budget.[15,16] See Questions and Answers—PPCG, Questions 4 and 5, pages 19 through 23, for more information about the shortfall and the supplemental appropriation.

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[15] See Arizona Auditor General report 25-114 *A Performance Audit of the Arizona Department of Economic Security—Division of Developmental Disabilities*.

[16] According to the Department, the supplemental appropriation authorized AHCCCS to use $109.2 of the $122 million from the Prescription Drug Rebate Fund to pay for the portion of State match needed for receiving federal monies.

Additionally, as shown in Table 1, the Department estimated its fiscal year 2025 expenditures and transfers will total more than $9.1 billion, more than $6.8 billion of which was related to providing aid or services to individuals or to organizations that provide services to participants in Department programs, including providing ALTCS services to individuals who are developmentally disabled and SNAP food assistance for families in need. Most of the Department's remaining expenditures were for payroll and related benefits, professional and outside services, and other operating expenditures, such as rent and utilities.

Table 1

Schedule of revenues, expenditures, and changes in fund balances

Fiscal years 2023 through 2025
(Unaudited)

	2023 (Actual)	2024 (Actual)	2025 (Estimate)
Beginning fund balance (restated)[1]	**$1,976,717,064**	**$2,022,186,327**	**$1,898,097,182**
Revenues			
Gross revenues			
Grants and reimbursements[2]	$7,046,744,330	$6,713,235,447	$7,294,954,717
State General Fund appropriations[3]	894,090,157	1,202,146,382	1,805,200,200
Employers' UI contributions	377,943,942	370,916,391	323,856,700
Institutional care[4]	43,312,013	46,807,918	44,276,697
Interest income	40,068,980	57,366,457	60,063,671
Other revenues[5]	29,390,298	27,914,979	24,795,878
Total gross revenues	**$8,431,549,721**	**$ 8,418,387,573**	**$9,553,147,863**
Transfers in			
Transfers from State agencies[6]	152,110,403	219,287,175	212,634,452
Total transfers in	**$152,110,403**	**$ 219,287,175**	**$212,634,452**
Total net revenues	**$8,583,660,124**	**$8,637,674,748**	**$9,765,782,315**
Expenditures and transfers			
Expenditures			
Aid to organizations and individuals[2]			
Arizona Long Term Care System (ALTCS)[7]	$2,410,347,015	$2,857,985,015	$3,375,535,935
Supplemental Nutrition Assistance Program (SNAP)	2,157,162,810	2,124,616,453	2,246,825,350

Table 1 continued

Aid to organizations and individuals continued[2]			
Childcare and education	728,189,242	432,947,108	332,241,645
Developmental disabilities services[7]	376,427,305	194,205,547	78,992,430
Unemployment Insurance[8]	368,748,335	314,826,631	356,532,800
Rental assistance[9]	255,415,324	99,232,435	51,328,842
Employment and workforce programs	107,454,377	118,177,005	122,978,168
Food distribution[10]	75,732,677	100,001,508	88,082,438
Community and social services programs[11]	74,043,422	78,282,734	75,685,286
Aging adult services programs	60,170,337	63,251,684	55,897,235
Temporary Assistance for Needy Families[12]	33,707,845	35,194,019	34,587,982
Refugee and entrant assistance	24,044,578	43,698,939	47,764,102
Other[13]	19,151,669	19,767,962	28,300,060
Payroll and related benefits	672,123,427	697,411,475	708,245,742
Professional and outside services[14]	130,769,842	114,844,772	125,298,117
Computer and software purchases and licenses	75,262,418	71,128,673	64,021,875
Premium Tax on Social Program-Related Insurance Payments[15]	57,702,787	70,277,632	74,339,915
Rent and building maintenance	36,308,985	35,316,077	33,315,049
Other expenditures[16]	49,868,457	54,521,372	64,963,913
Total expenditures	**$7,712,630,850**	**$7,525,687,041**	**$7,964,936,884**
Transfers out			
Transfers to State agencies[17]	$909,868,003	$1,236,076,852	$1,155,651,628
Total transfers out	**$909,868,003**	**$1,236,076,852**	**$1,155,651,628**
Total expenditures and transfers	**$8,622,498,853**	**$8,761,763,893**	**$9,120,588,512**
Ending fund balance	**$1,937,878,335**	**$1,898,097,182**	**$2,543,290,985**
Net change in fund balance (Difference between **revenues** and **expenditures and transfers**)	**- $38,838,730**	**- $124,089,144**	**+ $645,193,803**

Table 1 continued

[1] As reported in the State of Arizona fiscal year 2023 annual comprehensive financial report and the single audit report, the Department did not maintain accurate records to support the Unemployment Compensation Fund cash balances reported in the State's financial statements, which would impact its available fund balance, resulting in a qualified financial statement opinion. During the reconciliation of the UI Program bank accounts, adjustments were made to the fiscal year 2024 beginning balance.

[2] Grants and reimbursements and aid to organizations and individuals include grants from the federal and State governments, primarily for the SNAP, UI Program, TANF, refugee and entrant assistance, food distribution programs, rental assistance programs, aging and adult services programs, employment and workforce development programs, childcare development and education programs, and other community and social services programs, such as grants for homeless services. In addition, it includes collections of accounts receivable and fraud recoupments for the UI program, and ALTCS capitation payments, or contract payments, from AHCCCS to pay for services provided to ALTCS members. Finally, as previously discussed (see page 6), the Legislature provided the Department a supplemental appropriation of more than $122 million in April 2025. According to the Department, the supplemental appropriation authorized AHCCCS to use $109.2 of the $122 million appropriated from the Prescription Drug Rebate Fund to pay for the portion of State match needed for receiving federal monies (see footnote 3 below for the other portion of the appropriation received).

[3] Although the Legislature appropriated $13.1 million to the Department in Laws 2025, Ch. 93, for a developmental disabilities cost-effectiveness study and client services from the Prescription Drug Rebate Fund, the Department reported this appropriation is included under its estimated fiscal year 2025 State General Fund appropriations.

[4] According to the Department, institutional care revenues include various sources such as residential room and board revenues from DDD members enrolled in ALTCS who paid the Department for noncovered residential services. Additionally, as previously discussed (see page 4), the Department is responsible for licensing legally blind individuals through the Business Enterprise Program to own and operate merchandising businesses and the Department reported that institutional care revenues also include sales-based revenues generated by blind individuals owning and operating food and vending services across the State at various military locations.

[5] Other revenues include various sources, such as revenue from filing fees for domestic violence cases, court assessments, collections for child support enforcement services, and private grants.

[6] Transfers from State agencies mainly consisted of payments from AHCCCS for determining eligibility for medical assistance (see page 2 for more information about medical assistance).

[7] According to the Department, ALTCS capitation payments are used to pay for services provided to DDD members that are eligible for ALTCS, while expenditures under developmental disabilities services are non-ALTCS services provided to DDD members, including room/board and non-Medicaid costs. According to the Department, the estimated decrease in expenditures for developmental disabilities services is due to a reduction in temporary federal monies that were provided during the COVID-19 pandemic.

[8] The majority of the UI Program expenditures consist of UI benefit payments to claimants from employer UI tax contributions and reimbursements, included in the State financial statements as the Unemployment Compensation Fund. The Unemployment Compensation Fund does not include the costs for administering the UI Program; however, the table above includes the administrative costs as part of unemployment compensation to account for the total costs of the UI Program.

[9] The federal government established emergency rental assistance programs during the COVID-19 pandemic to provide financial assistance to eligible households, including the payment of rent, rental arrears, and utilities and home energy costs. The Department was responsible for administering the Arizona Rental Assistance Program to provide eligible seniors and families with children with assistance to cover rental arrears, future rent, and rent late fees and penalties. According to the Department's website, the Arizona Rental Assistance Program ended, and applications were no longer accepted as of September 1, 2024. Rental assistance also includes the federal Low Income Home Energy Assistance program.

[10] Food distribution programs include federally funded programs that provide low-income Arizonans with emergency food and/or nutrition assistance. For example, it includes The Emergency Food Assistance Program, which provides participants with emergency food packages from a local distribution site or a congregate hot meal. It also includes the Arizona Commodity Senior Food Program, which provides Arizonans over the age of 60 years old with a monthly package of food.

[11] Community and social services programs include programs for homelessness, family and domestic violence prevention and services, Medicare and State health insurance enrollment assistance, and the 211 mental health hotline. Additionally, it includes programs and services provided through the federal Community and Service Block Grant, in which the State provides these funds to local government entities and nonprofits to perform activities designed to assist low-income families and individuals.

[12] As previously discussed (see page 2), TANF provides temporary cash benefits to Arizona's neediest children and their families.

13 Other aid to organizations and individuals includes additional aid provided, such as for the Business Enterprise Program that helps legally blind individuals become entrepreneurs and own and operate merchandising businesses.

14 Professional and outside services include program call centers, translation services, projects requiring outside expertise, and computer modernization.

15 The premium tax on social program-related insurance payments include payments to the Arizona Department of Insurance and Financial Institutions for the Arizona Long Term Care System and developmentally disabled services. A.R.S. §§36-2905 and 36-2944.01 require the ALTCS Contract to pay a 2 percent premium tax on all capitation and other reimbursements received.

16 Other expenditures include travel, food, supplies, utilities, equipment and vehicle purchases, and other operating expenditures.

Table 1 continued

17 Transfers to State agencies mainly consisted of transfers of State appropriated monies for DDD to AHCCCS to pay for the State's share of ALTCS program services for DDD members, as well as monies transferred to the State General Fund as a result of A.R.S. §36-2953. Additionally, it includes transfers to First Things First pursuant to an interagency service agreement to provide funding for expanding early childhood services in various areas, such as increasing the number of preschool scholarships for low-income families.

Source: Auditor General staff analysis of the Arizona Financial Information System/AZ360 *Accounting Event Transaction File* for fiscal years 2023 and 2024 and the State's annual financial reports for fiscal years 2023 and 2024, and Department-reported estimates for fiscal year 2025.

Department did not comply with some State conflict-of-interest requirements, increasing risk that employees and members of public bodies had not disclosed substantial interests that might influence or could affect their official conduct

Statute addresses conflicts of interest for public agency employees and public officers

Arizona law requires employees of public agencies and public officers to avoid conflicts of interest that might influence or affect their official conduct. To determine whether a conflict of interest exists, employees/public officers must first evaluate whether they or a relative has a "substantial interest" in (1) any contract, sale, purchase, or service to the public agency or (2) any decision of the public agency (see textbox for key terms).

Key terms

Substantial interest: Any direct or indirect monetary or ownership interest that is not hypothetical and is not defined in statute as a "remote interest."

Remote interest: Any of several specific categories of interest defined in statute that are exempt from the conflict-of-interest requirements. For example, an employee or public officer who is reimbursed for actual and necessary expenses incurred while performing official duties.

Source: Auditor General staff review of A.R.S. §38-502 and Arizona Office of the Attorney General (AAG). (2018). *Arizona agency handbook*. Retrieved 5/22/2025 from https://www.azag.gov/office/publications/agency-handbook

If an employee/public officer or their relative has a substantial interest, statute requires the employee/public officer to fully disclose the interest and refrain from voting upon or otherwise participating in the matter in any way as an employee/public officer.[1,2] The interest must be disclosed in the public agency's official records, either through a signed document or the agency's official minutes. To help ensure compliance with these statutory requirements, the Arizona Department of Administration's (ADOA) *State Personnel System Employee Handbook* and conflict-of-interest disclosure form (disclosure form) require State employees to disclose if they have any business or decision-making interests, secondary employment, and relatives employed by the State at the time of initial hire and anytime there is a change.[3] The ADOA disclosure form also requires State employees to attest that they do not have any of these potential conflicts, if applicable, also known as an "affirmative no." In addition, A.R.S. §38-509 requires public agencies to maintain

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1 A.R.S. §§38-502 and 38-503(A) and (B).

2 A.R.S. §38-502(8) defines "public officer" as all elected or appointed officers of a public agency established by charter, ordinance, resolution, State Constitution, or statute. According to the *Arizona Agency Handbook*, public officers include directors of State agencies and members of State boards, commissions, councils, and committees—whether paid or unpaid. A.R.S. §38-503; AAG, 2018.

3 Arizona Department of Administration (ADOA). (2024). *State personnel system employee handbook*. Retrieved 5/22/2025 from https://drive.google.com/file/d/12uumNZLSBkfp33AaL9uHym0K9e6l9_II/view

a special file of all documents necessary to memorialize all disclosures of substantial interest, including disclosure forms and official meeting minutes, and to make this file available for public inspection.

Additionally, 1 of the 10 public bodies the Department is responsible for providing support for has specific conflict-of-interest requirements. Specifically, Executive Order No. 2020-04, which reauthorizes the Arizona Developmental Disability Planning Council, states that at least 60% of the council cannot be managing employees of an entity that receives monies or provides services for individuals with developmental disabilities or individuals with an ownership or control interest with respect to such an entity.

Finally, in response to conflict-of-interest noncompliance and violations investigated in the course of our work, such as employees/public officers failing to disclose substantial interests and participating in matters related to these interests, we have recommended several practices and actions to various school districts, State agencies, and other public entities.[4] Our recommendations are based on recommended practices for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements by reminding employees/public officers of the importance of complying with the State's conflict-of-interest laws.[5] Specifically, conflict-of-interest recommended practices indicate that all public agency employees and public officers complete, or be reminded to update, a disclosure form annually. Recommended practices also indicate that the form include a field for the individual to provide an "affirmative no," if applicable.[6] These recommended practices also indicate that agencies develop a formal remediation process and provide periodic training to ensure that identified conflicts are appropriately addressed and help ensure conflict-of-interest requirements are met. Finally, recommended practices indicate that publicly disclosing public body members' interest as the reason for refraining from participating in decisions is important for fully disclosing and memorializing the disclosure of interest as they relate to those decisions.

Department did not comply with some State conflict-of-interest requirements, and its conflict-of-interest process was not fully aligned with recommended practices

The Department did not comply with some State conflict-of-interest requirements, and its conflict-of-interest process was not fully aligned with recommended practices designed to help ensure that employees and members of public bodies comply with State requirements.

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[4] See, for example, Arizona Auditor General Reports 24-211 *A Performance Audit of Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery*, 19-105 *A Special Audit of the Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies*.

[5] Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 5/22/2025 from https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf; Ethics & Compliance Initiative (ECI). (2021). *Conflicts of interest: An ECI benchmarking group resource.* Retrieved 5/22/2025 from https://www.ethics.org/wp-content/uploads/mdocs/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 5/22/2025 from https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf

[6] As previously discussed, the ADOA disclosure includes a field for the individual to provide an "affirmative no."

Specifically:

- **29 of 46 employees we reviewed signed a disclosure form that did not address all statutorily required disclosures**

  Our review of a sample of 46 Department employees—45 of 8,995 Department employees as of September 2024 and the Department director who was appointed in January 2025—found that 29 of these employees, or approximately 63%, signed a disclosure form that did not require disclosure of substantial interests in Department decisions, as required by statute.[7,8]

- **Department did not have completed disclosure forms for 4 of 46 employees we reviewed**

  Consistent with *State Personnel System Employee Handbook* requirements, the Department reported that employees are required to sign a disclosure form upon hire.[9] However, the Department did not have completed and signed disclosure forms for 4 employees we reviewed, which included the Department director as well as a hearing officer who is responsible for hearing appeals and making decisions related to various programs, such as unemployment insurance or public assistance. After our request for documentation, the Department provided completed forms for 3 of the 4 employees, including the Department director.[10]

- **Members of public bodies the Department supports did not fully disclose substantial interests in Department's official public records as required by statute for public meetings we reviewed**

  Members of the 10 public bodies the Department supports did not fully disclose substantial interests in the public bodies' official records, as required by statute, for several public meetings we reviewed (see Appendix B, pages b-1 through b-5, for more information on these public bodies).[11] Specifically, Department staff reported that members of 3 of 10 public bodies had recused themselves during public meetings due to a substantial interest during the previous 3 years as of January 2025, including during 9 different public meetings the Arizona Developmental Disabilities Planning Council held between 2022 and 2024. We reviewed the meeting minutes for all 9 of these meetings and found that most of the meeting minutes indicated that a member had recused themselves but did not fully disclose the reason for doing so during the meeting, such as explaining the nature of the interest and/or the individual or entity that it involved. Further, according

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7 Our sample included 45 of 8,995 Department employees as of September 2024, consisting of a judgmental selection of 9 employees from Department leadership with key decision-making responsibilities and a stratified random sample of 36 employees. Additionally, we judgmentally selected the Department director, who was appointed in January 2025, for a total of 46 employees reviewed. See Appendix C, pages c-1 through c-2, for more information about our sample selection.

8 A.R.S. §38-503.

9 ADOA, 2024.

10 Although the Department director was previously employed at the Department and was reappointed in January 2025, he did not sign an updated disclosure form until after we requested it in May 2025. For the other 3 employees, 2 have been employed with the Department since 1987 and 1992, respectively, and had not signed a disclosure form until during our audit in January 2025. As of March 2025, we had not received a completed form for the third employee, who has been employed with the Department since 1990.

11 A.R.S. §§38-502 and 38-503.

to Department staff, members of the public bodies the Department supports also do not sign disclosure forms when they are appointed or when they have a conflict with an agenda item for a specific meeting. Absent these disclosures in the meeting minutes or a signed disclosure form, neither the Department nor these public bodies complied with the statutory requirement to maintain and make these disclosures available for public inspection (see next bullet for more information).[12]

- **Department lacked a special disclosure file as required by statute**

  The Department did not have a special disclosure file to store disclosures of substantial interest for public inspection, as required by statute.[13] Instead, according to the Department, it housed employees' completed conflict-of-interest disclosure forms in each individual employee's personnel file. Additionally, as discussed above, the Department did not retain/store and make publicly available any information about substantial interest disclosures made by members of public bodies it supports.

Finally, the Department had not fully aligned its conflict-of-interest process with recommended practices and/or ADOA's disclosure form.[14]

Specifically, the Department:

- Did not consistently use a disclosure form that included an affirmative no. For example, the 29 employee disclosure forms previously mentioned on page 13 that lacked all statutorily required disclosures also did not include an affirmative no.

- Did not annually remind its employees to fill out a disclosure form if and when their circumstances change.

- Did not consistently follow its reported remediation process for disclosed conflicts. The Department reported that when a substantial interest disclosure is made by an employee, their supervisor should review and sign the disclosure form. However, for 1 of the 46 employees we reviewed, the employee, who was a member of Department leadership, had disclosed a potential substantial interest, and their form was not signed by their supervisor.

- Did not provide periodic conflict-of-interest training for its employees and members of public bodies related to their unique programs, functions, or responsibilities.

- Did not require members of public bodies to fully disclose their reason for refraining from participating during public meetings.

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[12] A.R.S. §§38-502 and 38-509.

[13] A.R.S. §38-509.

[14] See footnote 5, page 12, for a list of the recommended practices we reviewed.

Department's noncompliance with some State conflict-of-interest requirements and recommended practices increased risk that employees and members of public bodies did not disclose substantial interests that might influence or affect their official conduct

By not requiring all employees to complete a disclosure form that addressed all statutorily required disclosures upon hire, not reminding them to update their form at least annually or as their circumstances changed, or not requiring members of public bodies to fully disclose substantial interests in official public records, the Department could not ensure that all employees and members of public bodies disclosed both financial and decision-making substantial interests and refrained from participating in any manner related to these interests, as required by statute.[15] Additionally, as previously mentioned (see pages 13 through 14), Department staff reported that members of public bodies do not sign disclosure forms, despite the Arizona Developmental Disability Planning Council having specific conflict-of-interest requirements that go beyond State requirements. Consequently, the Department might have been unaware of potential conflicts and the need to take action to mitigate those conflicts. For example, Department employees hold positions with various responsibilities, such as contract management, procurement, and determining eligibility for monetary benefits that could be affected by an undisclosed conflict. Further, at least 1 public body the Department supports makes decisions to award competitive grant monies that could be affected by an undisclosed conflict.

Finally, because the Department did not store substantial interest disclosures in a special file, it lacked a method to track which and how many employees and/or public body members disclosed an interest and make this information available in response to public requests, as required by statute.

Department lacked a comprehensive conflict-of-interest policy

The Department had not developed comprehensive conflict-of-interest policies and procedures that align with State requirements and recommended practices, which likely contributed to the previously discussed issues. For example, although the Department reported that it requires employees to complete disclosures upon hire and when their circumstances change, and that supervisors should sign any employee disclosure forms that include a substantial interest disclosure, it lacks written policies and procedures outlining these requirements. When we began our audit work, the Department had developed a draft conflict-of-interest policy and reported it planned to implement it in October 2025. However, as of November 2024, although the draft policy included some requirements for employees related to conflict-of-interest and disclosures, it did not address all State requirements and recommended practices or include requirements for members of public bodies to disclose conflicts of interest. For example, the draft policy does not contain information related to maintaining a special file to memorialize all disclosures of substantial interest, as required by statute, or outline a process for annually reminding its staff to complete a disclosure form if their circumstances change.

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[15] A.R.S. §§38-502 and 38-503.

Additionally, the Department had an inconsistent process for how and which disclosure form it required employees to sign upon hire. Specifically, the Department reported it started using an online portal in May 2018 for new employees to complete new hire paperwork that allows these employees to complete ADOA's disclosure form, which addresses all statutorily required disclosures and includes an affirmative no. However, the Department reported that if employees are unable to access the online portal or need to update their form after they are hired, the Department has them complete a Department-developed hard copy disclosure form. Although the Department reported it believed that its hardcopy form includes the same information as ADOA's form, our review and comparison of the 2 forms identified that the hardcopy form does not address all statutorily required disclosures or include an affirmative no. This difference in the disclosure forms likely contributed to 29 of 46 employees we reviewed having a disclosure form that did not address all statutorily required disclosures or an affirmative no.

Recommendations to the Department

1. Revise its hard copy conflict-of-interest disclosure form to require disclosures of substantial decision-making interests to help ensure employees comply with statute and include an affirmative no, consistent with recommended practices and ADOA's disclosure form.

Continue to develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including requirements for:

2. Reminding employees at least annually to update their disclosure form if their circumstances change, including attesting that no conflicts exist, if applicable.

3. Requiring members of public bodies to fully disclose substantial interests related to meeting agenda items, as required by statute, during public meetings and documenting these disclosures in the public bodies' meeting minutes or a signed disclosure form, including providing disclosures of any specific requirements related to the public bodies, such as those related to ADDPC. The disclosures should include the name of the person with an interest (i.e., public body member or public body member's relative), a description of the interest, and the reason the member is refraining from discussing or otherwise participating in the agenda item.

4. Storing all substantial interest disclosures, including disclosure forms and meeting minutes, as applicable, in a special file available for public inspection.

5. Reviewing and remediating disclosed conflicts.

6. Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees and members of public bodies on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Department response: As outlined in its **response**, the Department agrees with the finding and will implement the recommendations.

Table of contents

- **Question 1:** 17
  What is the Parents as Paid Caregivers Program (Program) for minor children?
- **Question 2:** 18
  When was the Program established?
- **Question 3:** 19
  How is the Program funded?
- **Question 4:** 19
  What factors may have potentially contributed to the Department's $122 million budget shortfall in fiscal year 2025, including factors potentially related to the Program?
- **Question 5:** 22
  What changes did legislation enacted in 2025 during the Fifty-seventh Legislature, first regular session, make to the Program?

During our audit in January 2025, the Department notified the Arizona House of Representatives' Appropriations Committee of a $122 million shortfall in its DDD budget for fiscal year 2025. During public discussions about the shortfall, the Department indicated that changes in the Program were 1 potentially contributing factor to the shortfall (see Question 4, pages 19 through 22, for information on the budget shortfall and potential contributing factors reported by the Department). In April 2025, the Legislature enacted Laws 2025, Ch. 93, to provide funding to address the DDD budget shortfall, and this legislation also made several changes to the Program. The following Questions and Answers section provides information on the Program, including when it was established, how it is funded, and key changes the Legislature made to it through Laws 2025, Ch. 93.

Questions and answers

Question 1: What is the Parents as Paid Caregivers Program (Program) for minor children?

The Program allows the parents of minor children enrolled in the ALTCS program, which includes DDD members, to receive compensation for providing certain services to their children enrolled in the ALTCS program.

The services for which parents can be compensated through the Program include:

- Attendant care services, including assisting their minor children who are DDD members with personal cleanliness and daily living activities that the member would not be able to perform independently.

- Habilitation services, including training their minor children who are DDD members to be more self-sufficient by improving life skills, such as learning how to cook a meal or balance a checkbook.[1]

Parents who wish to be compensated for providing these services to a child enrolled in ALTCS must be employed by or contracted with a registered provider agency and also must pass direct care worker competency tests.[2]

Pursuant to its ALTCS contract with AHCCCS (see Introduction, page 3, for more information on the Department's contract with AHCCCS), the Department administers the Program for DDD members who are minors (under 18 years of age). The Department's administration of the Program includes approving the extent of services needed by DDD members and reimbursing third-party vendors that employ or contract with parents who meet AHCCCS policy requirements for direct care workers for providing services.[3]

Question 2: When was the Program established?

On April 6, 2020, the Centers for Medicare & Medicaid Services (CMS) provided AHCCCS with temporary authority to compensate parents of minor children with disabilities in Arizona for providing caregiving services during the COVID-19 Public Health Emergency. According to the AHCCCS website, this temporary authority allowed parents and caregivers a way to ensure their children continued to receive medically necessary HCBS services during the pandemic by having a choice in whether or not to allow direct care workers into their homes and to ensure continuity of services in the event direct care workers became ill or decided not to work as a result of COVID-19.

AHCCCS subsequently requested and received approval from CMS to extend this temporary authority 3 times:

- In March 2021, AHCCCS submitted a request to CMS to extend its temporary authority through the end of the calendar quarter after the COVID-19 Public Health Emergency ended, which CMS approved in April 2021. According to the Centers for Disease Control and Prevention, the COVID-19 Public Health Emergency officially ended in May 2023, so based on AHCCCS' original extension request, the Program would have ended in June 2023.

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1 According to the AHCCCS website, parents may also be authorized to provide homemaker services for DDD members, including their minor child, by performing housekeeping tasks to maintain a clean home. However, the Department reported that authorizations for homemaker services are rare, and according to Department data, only 4 minor members in fiscal year 2024 were authorized to receive homemaker services.

2 Agencies must register with AHCCCS as service providers of attendant care and habilitation services, and DDD reimburses the agencies for the hours worked by their employees/contracted providers, including parents.

3 The Department reimburses approved vendors for services provided, and parents providing care for DDD members within the Program must be employed with or contracted by an approved vendor. The Department is responsible for approving and reimbursing for services provided by vendors for all DDD members, regardless of whether services are provided by a parent of a DDD member or another direct care worker.

- In March 2023, prior to the end of the COVID-19 Public Health Emergency, CMS approved a second AHCCCS request to extend its temporary authority until 6 months after the end of the COVID-19 Public Health Emergency, or November 2023.
- In October 2023, CMS approved a third AHCCCS request to extend its temporary authority through March 2024.

In September 2023, AHCCCS requested a waiver from CMS to establish the Program as a permanent service under ALTCS. On February 16, 2024, CMS approved AHCCCS' request to establish the Program as a permanent service beginning on April 1, 2025.[4]

Question 3: How is the Program funded?

During a January 2025 Arizona House of Representatives' House Appropriations Committee meeting, the Joint Legislative Budget Committee (JLBC) reported that when the Program was established in April 2020, it was entirely funded by federal monies that were set to expire by April 1, 2025. According to AHCCCS, it funded the Program using federal monies to offset State match monies for the portion of capitation payments attributable to the Program based on its actuaries' estimates. According to JLBC, starting April 1, 2025, the Program would be funded at the typical Medicaid match rate, with approximately 65% federal monies and 35% State monies.

Question 4: What factors may have potentially contributed to the Department's $122 million budget shortfall in fiscal year 2025, including factors potentially related to the Program?

In a briefing on January 29, 2025, the Department notified the Arizona House of Representatives' Appropriations Committee of a $122 million shortfall in its DDD budget for fiscal year 2025.

Although the Department did not provide details on how various factors impacted the shortfall, including how much of the shortfall was related to each factor, the Department did identify 3 primary factors that may have contributed to the shortfall as follows:

- **AHCCCS increased the monthly per member capitation rate it pays for DDD member services after DDD's budget was established, resulting in insufficient monies to pay the State's portion of costs for these services**

  The Department reported that AHCCCS increasing the per member per month capitation rate it pays the Department for contracted services to ALTCS members, which drives how much the Department must provide in State match monies, was a primary cause of the DDD budget shortfall in fiscal year 2025.

  As mentioned previously on page 3, to pay for DDD member services provided to ALTCS members, the Department receives a monthly per member capitation payment determined by AHCCCS. The capitation payments AHCCCS makes to the Department consist of both federal and State monies. Specifically, the Department transfers State General Fund monies appropriated to it for the DDD budget to AHCCCS to pay for the State's portion of the capitation, which is needed to secure federal matching monies.

[4] CMS, as an agency of the U.S. Department of Health and Human Services, has the authority to approve state-level pilot programs intended to serve Medicaid populations, such as DDD members in Arizona, under Section 1115 of the Social Security Act.

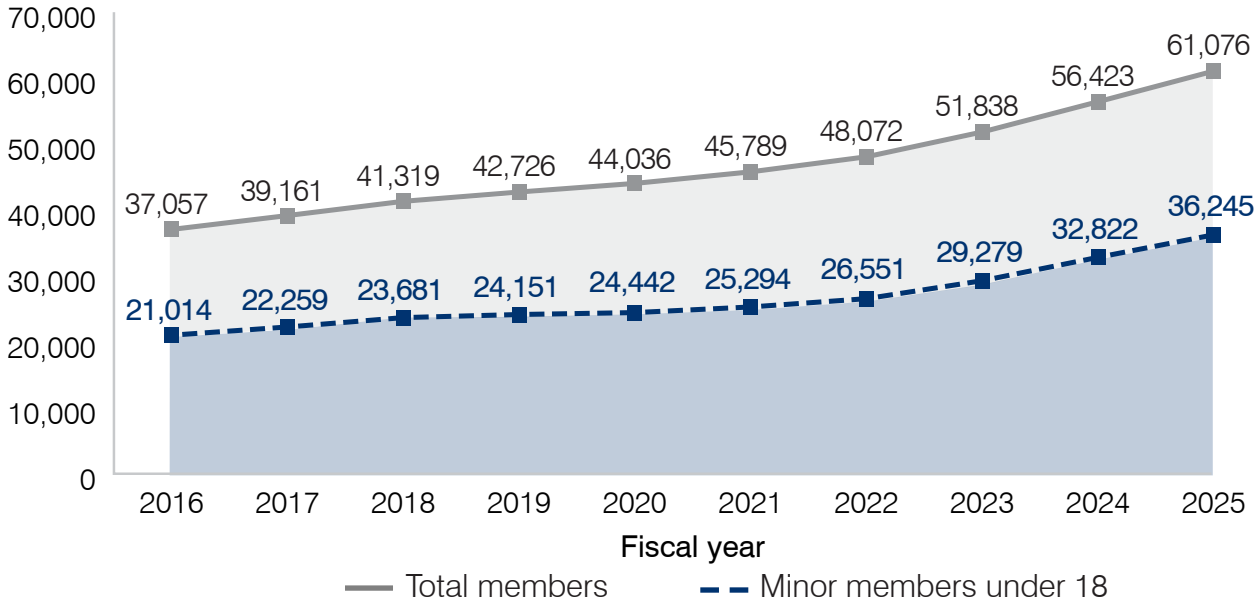
AHCCCS then transfers the total amount back to the Department as capitation. The Department reported that its fiscal year 2025 budget was established based on estimates for that fiscal year's capitation rate, but when AHCCCS later determined the actual capitation rate, it was higher than anticipated. Specifically, JLBC reported that the Department's budget accounted for an estimated 4% growth in the capitation rate, but the actual capitation rate AHCCCS set for fiscal year 2025 increased by more than 11%. The additional growth above the estimate upon which the DDD budget was set meant that the Department did not have enough monies appropriated to it to transfer to AHCCCS to cover the State's portion of the capitation required for the federal match.

- **DDD membership grew approximately 18% from fiscal years 2023 to 2025**

The Department reported that an increase in DDD membership was a primary factor that contributed to the DDD budget shortfall in fiscal year 2025.[5] According to Department data, the number of DDD members increased from 51,838 to 61,076 between fiscal years 2023 and 2025, an increase of approximately 18% compared to only 13% growth from fiscal years 2021 to 2023 (see Figure 1 for more information on DDD membership increases). Additionally, during this time frame, the number of DDD members under 18 years old increased from 29,279 to 36,245, an increase of approximately 24%. Because the Department receives capitation on a per member basis, this increase in membership could exacerbate budgeting deficits related to AHCCCS increasing the per member per month capitation rate more than estimated by the Department, requiring the Department to provide more in matching funds per member than it budgeted for (see prior bullet for more information on the increased capitation rate).

Figure 1

DDD membership, including minor DDD membership, grew approximately 18% from fiscal years 2023 to 2025[1]



[1] DDD membership counts represent the number of members as of the last day of the fiscal year (June 30).

Source: Auditor General staff review of Department report on DDD membership for fiscal years 2016 through 2025.

[5] Our review of the Department's enrollment data for minor DDD members did not identify any specific factors that may have contributed to this enrollment growth. Further the Department did not provide specific factors that it believed impacted the enrollment increase.

- **Utilization of attendant care services, which parents can be compensated for through the Program, increased significantly in the same fiscal year that the Department was directed by AHCCCS to assess eligibility for attendant care services consistent with contract requirements, potentially expanding the utilization of these services**

  Finally, the Department reported that a significant increase in the utilization of attendant care services, which parents can be compensated for through the Program, occurred around the time the Department was directed by AHCCCS to assess eligibility for attendant care services consistent with contract requirements, potentially expanding the utilization of attendant care services, and may have contributed to the DDD budget shortfall in fiscal year 2025 due to a wider availability of services than under previous Department practices. Specifically, in November 2023—approximately 5 months into fiscal year 2024—AHCCCS reported receiving numerous concerns regarding the Department's implementation of the Program, including that the Department was denying or reducing authorization for the amount or duration of attendant care services for some minor members due to Department staff's view that the parent is responsible for those services as the natural care provider. In response to these concerns, AHCCCS directed the Department in writing that it is prohibited from requiring parents or other household members to provide support above and beyond typical parenting responsibilities. Specifically, AHCCCS indicated that all minor DDD members who qualify for attendant care should be authorized to receive those services, including if a parent is available to provide care for the member. Because prior to this directive the Department had not been assessing and/or properly assessing some minor DDD members for attendant care, this directive may have resulted in an increase in minor DDD members authorized to receive attendant care.[6]

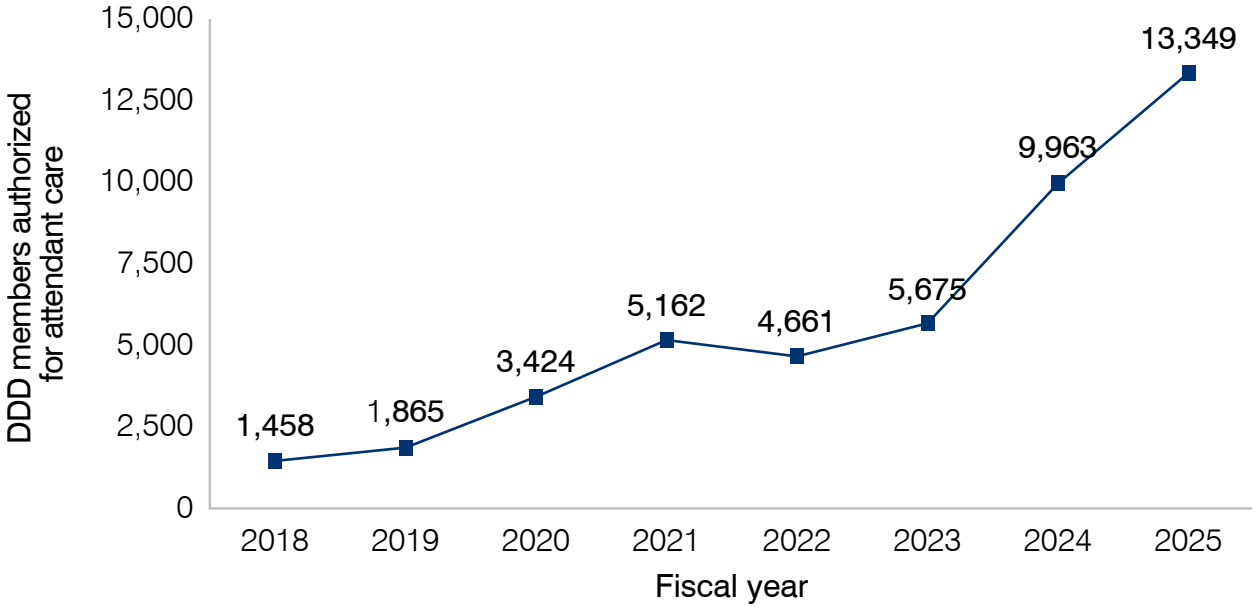
  In fiscal year 2024 when AHCCCS made this directive to the Department, the number of minor DDD members authorized to receive attendant care increased significantly from 5,675 to 9,963 members, or approximately 75%, from fiscal year 2023. The number of minor DDD members authorized to receive attendant care continued to increase in fiscal year 2025, from 9,963 in fiscal year 2024 to 13,349 members, an approximately 34% increase. In total, from fiscal year 2023 through 2025, minor DDD members' utilization of attendant care services increased by approximately 135% (see Figure 2, page 22, for more information). However, during this same time frame, the Department only requested an approximately 30% increase to its DDD budget to cover its anticipated costs.

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6 Laws 2025, Ch. 93, required the Auditor General to conduct or contract for a special audit of the Program to review the Department's implementation of a strengthened standardized assessment tool, which is used to determine the need for extraordinary care for minor children enrolled in the Program, including what tasks would be ordinarily performed by the parent of a minor child without a disability (see Question 5, pages 22 through 23, for more information on requirements in Laws 2025, Ch. 93). The special audit must include a review of the strengthened standardized assessment tool, including a comparison of the Program's components to recommended practices of other states with similar programs.

Figure 2

Minor DDD members authorized to receive attendant care increased approximately 135% from fiscal years 2023 to 2025



Source: Auditor General staff review of Department DDD membership data from fiscal years 2018 through 2025.

Question 5: What changes did legislation enacted in 2025 during the Fifty-seventh Legislature, first regular session, make to the Program?

In response to the establishment of the Program as a permanent AHCCCS service (see Question 2, pages 18 through 19) and the DDD budget shortfall in fiscal year 2025 (see Introduction, page 6, for more details on the shortfall), Laws 2025, Ch. 93, requires AHCCCS to implement Program requirements for compensating parent caregivers, as illustrated in Table 2, page 23.

In addition to establishing requirements for compensating parents as paid caregivers, Laws 2025, Ch.93, established the following requirements related to the Program:

- The Department must implement an electronic system for tracking whether parents are providing care to members.[7,8]
- AHCCCS and the Department must provide quarterly reports to JLBC on Program usage starting in June 2025, including information such as the Program's annual growth and how long members who receive care under the Program have been enrolled in ALTCS.[9]
- AHCCCS must adopt and the Department must implement a strengthened standardized assessment tool to determine the level of necessary care for minors in the Program by October 1, 2025.

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7 As of May 2025, the electronic system used by AHCCCS and DDD for tracking member care did not differentiate between DDD members who received care from parents or nonparents. Instead, from October 2023 through February 2025, the Department reported it performed a periodic, manual process to identify parents as paid caregivers using system data, but that this process did not result in a complete list.

8 AHCCCS reported in its July 2025 letter to JLBC that it anticipates the electronic system will be completed by December 31, 2025.

9 AHCCCS provided its first quarterly report to JLBC in July 2025.

- The Auditor General must conduct or contract for a special audit of the Program to review the Department's implementation of the strengthened standardized assessment tool.[10]

Finally, Laws 2025, Ch. 93, appropriated $109.2 million to the Department for fiscal year 2025 to address developmental disabilities Medicaid program expenses and $13.1 million for a developmental disabilities cost-effectiveness study and client services (see Question 4, pages 19 through 22, for more information on the shortfall).

Table 2

Laws 2025, Ch. 93, added or modified Program requirements[1]

Requirement topic	Program requirements	
	Prior to Laws 2025, Ch. 93	After Laws 2025, Ch. 93, passed
Weekly care limits per child	Transitioning from no hourly limit to a 40-hour weekly limit per child on parents providing paid care, per child.[2]	40-hour weekly limit per child on parents providing paid care, effective July 1, 2025.[3]
Billing	Parents may not bill for tasks a parent of a child without a disability would ordinarily perform.	Parents may not bill for attendant care between the hours of 10 p.m. and 6 a.m. Additionally, parents may not bill for hours while the child is not home, nor for tasks a parent of a child without a disability would ordinarily perform.
Arizona residency	No time frame requirements related to Arizona residency.	Parents must have at least 6 months of Arizona residency to be a paid caregiver.
Parental employment	Parents must be employed through a third-party agency registered with AHCCCS, with no requirements to prevent a parent from being employed by or contracting with more than 1 agency.[4]	A parent must be employed by a single third-party agency registered with AHCCCS.[4]

1 Laws 2025, Ch. 93, became effective on April 24, 2025.

2 Prior to January 2024, the Program did not have a limit on the number of hours a parent could be compensated for providing care. Starting January 31, 2024, the Department began incrementally limiting the weekly number of hours from an 80-hour limit in February 2024 to a 60-hour limit in June 2024, ending with the 40-hour weekly limit in October 2024. According to AHCCCS' waiver request, this transition period was designed to allow adequate time for families and provider agencies to prepare for the 40-hour limit.

3 As mentioned on page 18, the Department determines the extent of care required for DDD members. If it is determined that a minor DDD member enrolled in the Program requires more than 40 hours of care per week, an alternate, nonparent caregiver can be compensated for the additional hours.

4 As discussed in Question 1, pages 17 through 18, parents are employed or contracted through a third-party agency as direct care workers, and DDD reimburses the agencies for the hours charged by parents.

Source: Auditor General staff review of Program documentation and Laws 2025, Ch. 93.

10 Our Office has contracted this audit, which will be published, submitted to the Governor, President of the Arizona Senate, and Speaker of the Arizona House of Representatives, and provided to the Arizona Secretary of State on or before August 1, 2026.

Table of contents

Question 1: 25

What does it mean to be a vulnerable adult?

Question 2: 26

How can someone report an allegation of abuse or neglect of a vulnerable adult to Adult Protective Services (APS)?

Question 3: 26

What information will a reporter be asked to provide to the APS Central Intake Unit phone staff or on the web intake form?

Question 4: 27

How many allegation intakes did the APS Central Intake Unit receive by phone and web intake form in calendar year 2025, and how many were opened for investigation?

Question 5: 27

What criteria need to be met for an allegation intake to be opened for investigation?

Question 6: 29

How did APS Central Intake Unit staff perform based on a sample of allegation intakes reviewed?

Question 7: 30

What happens during an APS investigation to determine whether an allegation should be substantiated or not?

Question 8: 32

What happens during an investigation to determine what services an alleged victim may need?

Question 9: 33

Did investigators meet priority-level response time frames to make initial contact with alleged victims and the Department's performance goal to complete investigations in calendar year 2023?

Question 10: 34

Did APS follow its policies and procedures related to investigations including the completion of administrative, investigatory, and supervisory tasks for a sample of cases reviewed (e.g., obtain medical records or police records and cross-report to other agencies)?

Department's APS program is responsible for receiving and investigating allegations of abuse, exploitation, and neglect of vulnerable adults

APS is a program within the Department's Division of Aging and Adult Services. Pursuant to statute, adult protective services is responsible for receiving allegations of abuse, exploitation, and neglect of vulnerable adults ages 18 years and older.

Question 1: What does it mean to be a vulnerable adult?

According to statute, a vulnerable adult is defined as an individual 18 years and older who is unable to protect themselves from abuse, neglect, or exploitation from others due to a physical or mental impairment, or who is an incapacitated person under A.R.S. §14-5101(3).[1]

When the Department receives a report alleging abuse, neglect, or exploitation, Department policy requires the Central Intake Unit Customer Service Representatives (CSRs) to determine whether there are indicators that the alleged victim meets the definition of a vulnerable adult. For example, an indicator that the alleged victim may be a vulnerable adult is if they are an active participant in a qualifying service, such as having an appointed guardian, conservator, or representative payee or if they reside in a qualifying residence, such as a long-term care facility or an assisted living facility.

Key terms

Allegation: A reported occurrence of maltreatment of a vulnerable adult. There may be multiple allegations in an investigation.

Maltreatment: Consists of abuse, neglect (including self-neglect), or exploitation.

Abuse: Consists of intentional infliction of physical harm, injury caused by negligent acts or omissions, unreasonable confinement, sexual abuse or assault, or emotional abuse.

Neglect: The deprivation of food, water, medical services, shelter, supervision, cooling, heating, or other services necessary to maintain a vulnerable adult's minimum physical or mental health.

Self-Neglect: An adult's inability due to physical or mental impairment or diminished capacity to perform essential self-care tasks, such as obtaining essential food, clothing, shelter, and medical care

Exploitation: The illegal or improper use of a vulnerable adult or the vulnerable adult's resources for another's profit or advantage.

Source: Auditor General staff summary of information in Department policies and on the Department's website.

[1] A.R.S. §§46-451 and 14-5101.

Question 2: How can someone report an allegation of abuse or neglect of a vulnerable adult to APS?

Anyone can report an allegation of abuse or neglect of a vulnerable adult to the APS Central Intake Unit by phone or online. The call center's toll-free phone number is 1-877-SOS-ADULT (1-877-767-2385). The call center is open Monday through Friday from 7 a.m. to 7 p.m. and Saturday, Sunday, and State holidays from 10 a.m. to 6 p.m., Arizona time. After hours, callers are unable to leave a message and are directed to APS' online web intake form, which is available 24 hours a day, 7 days a week. APS' online web intake form, which is available in both English and Spanish, is located at Adult Protective Services (APS) | Arizona Department of Economic Security.[2]

Some individuals, known as mandated reporters, are statutorily required to report or cause reports to be made to a peace officer or to the APS Central Intake Unit immediately by phone or online pursuant to A.R.S. §46-454. Mandated reporters include but are not limited to medical personnel, including physicians, registered nurse practitioners, long-term care providers, and other persons who have responsibility to care for vulnerable adults; and persons who have responsibility for preparing the tax records or any other action concerning the use or preservation of a vulnerable adult's property, including attorneys, accountants, and trustees.[3]

Question 3: What information will a reporter be asked to provide to the APS Central Intake Unit phone staff or on the web intake form?

Department policy requires the Central Intake Unit phone CSRs to ask the reporter to provide the following information or the reporter will be asked to provide the following information on the web intake form:[4]

- Personal identifying information of the vulnerable adult, including name, address, and phone number.
- Explanation of why the adult is vulnerable.
- The date the suspected neglect, abuse, or exploitation occurred.
- Information about any other individuals, such as witnesses or significant others or caregivers of the vulnerable adult.
- Identifying information about the alleged perpetrator, such as name, address, and phone number.
- Any safety hazards an APS investigator might experience when visiting the home of the vulnerable adult.

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2 The Department also accepts allegations of abuse and neglect of vulnerable adults via mail and email although it does not advertise those options. The Department reported receiving 150 intakes by email and 9 by mail in fiscal year 2025.

3 A.R.S. §46-454.

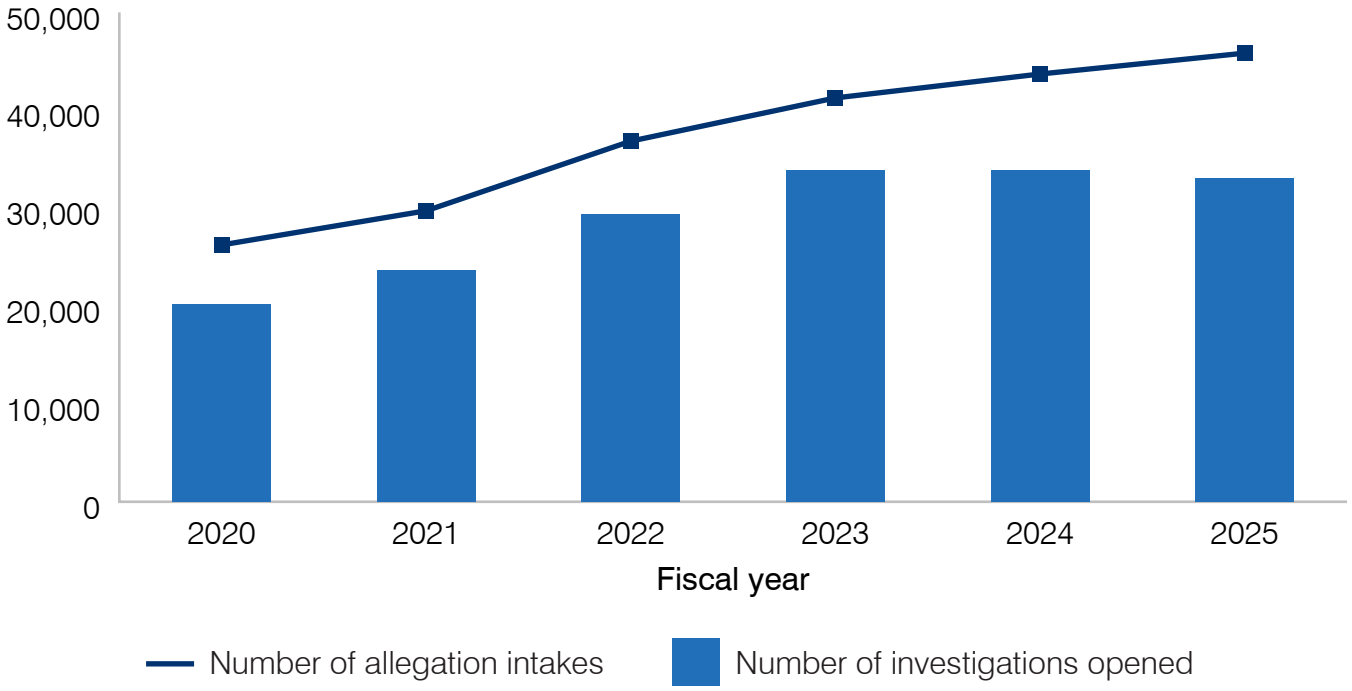
4 Although reporters are asked to provide this information, if the reporter does not have all of the information, the Department will still accept the report of allegations of abuse, neglect, or exploitation, and will determine, based on the information provided, whether to open an investigation.

Question 4: How many allegation intakes did the APS Central Intake Unit receive by phone and web intake form in calendar year 2025, and how many were opened for investigation?

In fiscal year 2025, APS' Central Intake Unit received 45,837 calls or forms with allegations of abuse, neglect, or exploitation (intakes) and opened 33,096 for investigation, according to the Department's dashboard. As shown in Figure 3, the number of investigations the Department has opened has remained relatively steady since fiscal year 2023 while the number of allegation intakes received by the Central Intake Unit has steadily increased.

Figure 3

Number of investigations Central Intake Unit opened has remained fairly steady since fiscal year 2023 while the number of allegation intakes has steadily increased



Source: Auditor General staff summary of Department's website regarding the APS' data dashboard for fiscal years 2020 through 2025.

Question 5: What criteria need to be met for an allegation intake to be opened for investigation?

According to Department policy, for APS to open an investigation, an intake alleging abuse, neglect, or exploitation of an alleged victim must meet the following criteria:

- Adult's identity or location must be known.
- Allegation(s) constitutes maltreatment.
- Adult alleged victim must have indicators that they may be a vulnerable adult (see Question 1, page 25, for more information).

Department policy indicates that the CSR is the first point of contact for a reporter and is the Department staff member who decides whether to open an APS report/start an APS investigation related to allegation intakes received from callers and via the web intake form. The CSR is required to use information given by the reporter to determine if the alleged victim has indicators that they may be a vulnerable adult. The CSR should use the information gathered from the reporter and enter detailed information into the intake record or review information received on the web intake form to decide whether APS should investigate the intake. The CSR should then notify the reporter of their decision regarding whether APS will investigate the report using a standard phone script or standard written notification. If the CSR determines an APS report should be opened for investigation, then they assign an investigation priority level (see textbox for information on the Department's priority levels). According to the Department, as of May 2025, APS had 21 CSRs who handled phone and web allegation intakes and 3 supervisors who oversaw the CSRs.

Allegation intakes that are determined to not meet the criteria for investigation are entered into the system, and the CSR informs the reporter they will not be investigated. These intakes also go through a quality control process to verify that they should not have been opened for investigation.

Investigation priority levels

Priority 1: A situation that has an imminent risk of life-threatening harm, such as the death or near death of a vulnerable adult. The report must be assigned to an APS investigator within 1.5 hours, and the investigator must make initial contact with the alleged victim within 1 business day of receiving the report.

Priority 2: A situation that has aggravating circumstances such as a vulnerable adult receiving threats to withhold life-sustaining medication or food. The report must be assigned to an APS investigator within 4 hours, and the investigator must make initial contact with the alleged victim within 2 business days of receiving the report.

Priority 3: A situation that has mitigating circumstances, or no aggravating circumstances such as allegations of maltreatment occurring 30 days or more prior to the initiation of the report. The report must be assigned to an APS investigator within 4 hours, and the investigator must make initial contact with the alleged victim within 5 business days of receiving the report.

The Department has a performance goal of completing an investigation within 60 days regardless of the priority level.

Source: Auditor General staff analysis of the Department's November 2023 APS Central Intake Unit policy and Department-provided information obtained by our contractor.

Question 6: How did APS Central Intake Unit staff perform based on a sample of allegation intakes reviewed?

Our contractor's review of a random sample of 272 of the 46,277 allegation intakes the Department received in calendar year 2023 to assess whether the Department opened for investigation the allegation intakes it should have and assigned priority level 1 to investigations in the instances it should have as well as additional work we performed on these allegation intakes found that overall, the Department performed well in these areas.[5]

However, for 4 allegation intakes, this work found:[6]

- 2 allegation intakes that CSRs did not open for investigation where it would have been appropriate to open them for investigation using a discretionary override. A discretionary override allows the CSR to open an investigation for an allegation intake that does not clearly meet the criteria, but based on the allegation, it would be appropriate to open an investigation. For example, in 1 of these intakes, the reporter reported that a patient's spouse had threatened to kill him and indicated that she was overwhelmed.[7] The CSR determined that the allegation intake did not meet the criteria to be opened for investigation because there was not an allegation of maltreatment. However, when reviewing this allegation intake again with us, Department management reported that it would have been appropriate for the CSR to use a discretionary override and open an investigation because of the seriousness of the threat.

- 2 allegation intakes that the CSR opened and assigned priority 2 for investigation but should have assigned priority 1. For example, in 1 of these cases, the alleged victim had allegedly been sexually violated. When reviewing this allegation intake with us, Department management agreed that this should have been assigned priority 1 for investigation due to the nature of the allegation.

Our review of Department policy identified several processes that could help reduce and/or mitigate the effects of these 2 types of errors.

Specifically:

- Department policy requires that once the allegation intake is sent to the investigations team for investigation, an investigation supervisor should review the allegation intake and assign it to an investigator. Department policy states that, as part this review, the supervisor can direct the investigator to initiate the investigation sooner than required by the priority level. In the above allegation intake involving an alleged victim who had allegedly been sexually violated, although the CSR assigned the investigation priority 2, which would require the investigator to initiate the investigation within 2 days of receiving it, the investigator made initial contact with the alleged victim on the same day they received it.

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5 Of the 46,277 allegation intakes in calendar year 2023, the Department opened 35,445 for investigation.

6 The cases identified in the bullets were based on our contractor's work and additional work we performed, including discussions with Department management.

7 APS records indicate that this incident was also reported to a local police department.

- Effective January 2024, Department policy outlining the quality control process for APS allegation intakes, which is required for all allegation intakes that are not opened for investigation, includes a requirement to review whether the CSR accurately determined that the allegation intake should not have been opened for investigation.

- Department policy also outlines a quality control process to review a sample of allegation intakes that are sent for investigation to assess CSR performance, such as whether the CSR assigned the correct priority rating. The results of these QA reviews are electronically tracked and Department staff reported that Central Intake Unit supervisors have access to and use these results to coach CSRs to improve their performance.

In addition, our review of a judgmental sample of 12 phone calls that APS received in calendar year 2023 found that in all 12 calls, except where it was not applicable, the CSRs asked for the information required by Department policy, such as personal identifying information of the alleged victim, including name, address, and phone number and an explanation of why the adult is vulnerable.[8] Further, in all 12 calls, the CSR notified the caller of their decision regarding whether APS will investigate the report, as required by Department policy.

Question 7: What happens during an APS investigation to determine whether an allegation should be substantiated or not?

According to Department policy, APS investigators are required to investigate the allegation(s) of abuse, exploitation, or neglect (including self-neglect) related to an alleged victim and determine if a preponderance of evidence exists to substantiate the allegation (see textbox, page 31, for definition). With some specific exceptions, APS investigates allegations that occur within Arizona.[9] Department policy requires, with some specific exceptions, the APS investigator to make face-to-face contact (initial contact) with the alleged victim within specified time frames or attempt to make initial contact with the alleged victim based on the priority level assigned to the report (see textbox in Question 5, page 28, for more information), obtain medical and police records, as applicable, and interview witnesses.[10] Department policy and procedure also direct APS to cross-report to other entities with statutory or regulatory authority related to some allegations APS receives, including federal agencies, and State agencies or political subdivisions for official purposes, such as the Arizona Department of Health Services, the Department's Long-Term Care Ombudsman, and the Department's Division of Developmental Disabilities. Finally, Department policy states that when APS has information that a crime may have been committed, it must cross-report to the appropriate law enforcement agency.[11]

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8 Based on potential issues identified by our contractor, we selected a judgmental sample of 12 of 146 phone calls our contractor reviewed that the Department received in calendar year 2023.

9 A.R.S. §46-452, AAC R6-8-203, and AAC R6-8-204.

10 Department policy requires investigators to make 3 attempts to complete face-to-face contact with the alleged victim within the assigned priority response time and must make diligent efforts to locate the alleged victim, such as contacting other individuals related to the case and conducting searches in relevant databases.

11 Department policy also requires APS to request a joint investigation with law enforcement when law enforcement is already involved with a report of abuse, neglect, or exploitation.

According to Department policy, APS allegations are proposed for substantiation when there is evidence the alleged victim is a vulnerable adult; there is an identified alleged perpetrator; and there is a preponderance of evidence that abuse, neglect, or exploitation has occurred. If an APS investigator proposes that an allegation be substantiated, an APS substantiation and registry specialist must review the case before sending it to the Arizona Attorney General's Office for review. According to the Department, the Attorney General's Office reviews the case to provide legal advice to APS concerning the sufficiency of evidence regarding the vulnerability of the alleged victim and the alleged maltreatment of the alleged victim by the alleged perpetrator. When the Department notifies an alleged perpetrator that it intends to substantiate the allegation, the alleged perpetrator can request a hearing to explain to an administrative law judge why they should not be placed on the APS registry and may provide evidence (see textbox). The administrative law judge provides a ruling using the preponderance of evidence standard. Pursuant to A.R.S. §41-1092.08(B) the Department director makes a final decision whether the allegation is substantiated and the perpetrator's name, date of birth, and allegation description are added to the APS registry, which APS is responsible for maintaining. A perpetrator may appeal the Director's final decision to the Superior Court of Arizona. Our contractor's review of 269 investigations opened in calendar year 2023 identified that 20 of the cases were substantiated.

An allegation may be unsubstantiated for several reasons, such as when APS determines that an allegation of abuse, neglect, or exploitation did not occur, or that there is insufficient evidence that the allegation occurred. Allegations may also be unsubstantiated if APS determines that the alleged victim was not a vulnerable adult at the time of the reported abuse, neglect, or exploitation.

Key terms

Preponderance of evidence: A legal standard that demonstrates there is a greater than 50% likelihood that the allegation is true.

APS registry: A publicly available listing of individuals for whom the Department has substantiated an allegation of abuse, neglect, or exploitation of a vulnerable adult. Its purpose is to prevent vulnerable adults from being victimized by individuals who may put them at significant risk. Specifically, the registry includes the perpetrator's name and date of birth, the nature of the allegations made, and the date and description of the allegation. According to statute, residential care institutions, nursing care institutions, and home health agencies are prohibited from hiring or employing anyone who is listed on the APS registry.[1] Additionally, statute requires the Department to use information found in the APS registry to inform its hiring decision related to positions that provide direct services to children or vulnerable adults.[2]

[1] A.R.S. §36-411(C)(3) and (4).

[1] A.R.S. §46-459(I).

Source: Auditor General staff review of Cornell Law School website, Arizona Revised Statutes, and summary of information on the Department's website.

Question 8: What happens during an investigation to determine what services an alleged victim may need?

APS investigators are required to conduct client, risk, and safety assessments to, in part, identify an alleged victim's needs, which involve collecting information regarding an alleged victim's safety, physical and mental status, living situation, support system (family and friends), and strengths. Based on an alleged victim's needs identified during the investigation, and preferably with the help of the alleged victim or their representative, APS investigators are required to develop a case plan. The case plan must include:

- Risks and plans to mitigate risks and improve safety.
- Time frames for mitigating risks and improving safety.
- Types of identified services and services offered.
- List of other individuals involved in case planning, such as family members or guardians.

Although APS does not provide these services directly to individuals, at any point during the investigation, APS may refer an alleged victim to another entity for services.[12] The investigator must document in the APS data system specific details about the service referral. Examples of service categories available for referral include case management, financial, home and community-based services, and behavioral health and medical care. Examples of agencies that may provide services include Area Agencies on Aging, the Department's Division of Developmental Disabilities, county public fiduciaries, medical/behavioral health providers, and home/community-based service providers. Department policy also requires investigators to periodically visit the alleged victim throughout the course of an investigation to assess that person's needs. However, as discussed in the 2023 report *Examining the Delivery of Services to Vulnerable Adults in the Arizona Adult Protective Services System*, no State agency has been assigned the responsibility for providing case management for all alleged victim cases that APS has referred to services during and after an investigation to ensure the alleged victim receives the services they need and determine that the services had the desired outcome.[13]

According to the Department, as of May 2025, APS had 210 investigators and 42 supervisors to oversee the investigators. As of May 2025, APS investigators had an average of 25 cases, which is a decrease from May 2023 when they had an average of 34 cases to investigate.

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[12] According to the Department, although investigators may refer an alleged victim to services, the alleged victim has the right to refuse services.

[13] See Arizona Auditor General report 23-114 *Examining the Delivery of Services to Vulnerable Adults in the Arizona Adult Protective Services System* conducted by the independent firm LeCroy and Milligan Associates under contract with the Arizona Auditor General.

Question 9: Did investigators meet priority-level response time frames to make initial contact with alleged victims and the Department's performance goal to complete investigations in calendar year 2023?

As indicated in the textbox in Question 5, page 28, with some specific exceptions, APS investigators should make initial contact within specified time frames of being assigned the report based on the investigation priority level, which means the investigator should meet with the alleged victim face-to-face within those time frames.[14]

Our contractor's review of all 35,428 APS investigations initiated in calendar year 2023 found that the following numbers and percentages of investigations had initial contact with the alleged victim within the required time frames:[15]

- **Priority 1 within 1 business day:** 1,459 of 1,804 investigations or 81%
- **Priority 2 within 2 business days:** 17,172 of 23,384 investigations or 73%
- **Priority 3 within 5 business days:** 8,817 of 10,240 investigations or 86%

Regarding meeting the performance goal of completing investigations within 60 days of the start of the investigation, our contractor's review of all 35,350 completed calendar year 2023 APS investigations found APS completed 74% of them within the 60-day goal. The remaining 26% of investigations were completed within a range of 61 to 665 days or are part of 139 investigations that were still open as of February 2025. This is an improvement over the timeliness reported in the 2023 report *Examining the Delivery of Services to Vulnerable Adults in the Arizona Adult Protective Services System.* That report found that APS completed 29% of its investigations within 60 days in fiscal year 2020, 26% in fiscal year 2021, and 20% in fiscal year 2022. Further, our contractor found that APS' average time to complete investigations in calendar year 2023 was 51 days based on a review of the 35,350 investigations. This is an improvement according to that same report, which reported that APS' average time to complete an investigation was 81 days in fiscal year 2020 and had increased to 101 days in fiscal year 2022, which was well above the national average of 55 days in 2020 and 51 days in 2021.[16]

To help ensure that investigators make initial contact and investigations are completed in a timely manner, the Department has developed electronic mechanisms to:

- Identify investigations that have been assigned to investigators but that the investigators have not yet made contact with the alleged victim, including those that have not yet exceeded their priority time frame and those that have exceeded the priority time frame. This electronic mechanism also allows the Department to identify which cases investigators have not yet made initial contact and how long it has been since the case was assigned. Department management reported that this electronic report is reviewed daily by APS management and APS investigation supervisors.

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[14] As previously discussed (see footnote 10, page 30), Department policy requires the investigator to make 3 attempts at face-to-face contact within the priority response time frame.

[15] In some of these cases where the Department did not meet the time frames for initiating the investigation, investigators may have attempted to locate the alleged victim within the time frames but may have been unsuccessful at doing so.

[16] This comparison is evaluating 2 different types of calendars—fiscal year and calendar year, which, while not exactly comparable, does provide an indication of progress over time because both time periods span 12 months.

- Track the median length of time it takes to make initial contact with the alleged victim based on priority level. According to Department records, in November 2023, the median number of days the Department took to make initial contact for a priority level 1 investigation was 0.6 days, while the median number of days the Department took to make initial contact for priority level 2 and 3 investigations was 1.5 and 2.5 days, respectively. As of November 2024, the median number of days the Department took to make initial contact for a priority level 1 investigation was 0.6 days, while the median number of days the Department took make initial contact for priority level 2 and 3 investigations was 1.4 and 2.6 days, respectively

- Identify how long cases have been open and include information about when the last activity was on the case. For example, the electronic tracking mechanism identifies cases that have been open for longer than 60 days. Department staff reported that they meet weekly to discuss cases that have been open for long periods of time.

- Track whether investigations are completed within the Department's 60-day goal. In calendar year 2024, APS closed 33,328 investigations and 76% of them were completed within the 60-day goal, representing a 2% improvement from the 74% in calendar year 2023, as previously discussed.

However, the Department has not similarly tracked whether all cases assigned to each priority level have met the priority level time frames during the calendar year. Tracking this information could be helpful for the Department to assess whether its process for monitoring case assignment time frames and time to initial contact is helping to improve investigators' timeliness to make initial contact with the alleged victim. See Sunset Factor 2, page 54, for our recommendations related to monitoring the timeliness of investigation initiation.

Finally, according to our contractor, the most recently available federal statistics regarding time taken to complete adult protective services investigations across the country come from the 2020 National Adult Maltreatment Reporting System report. Nevada APS investigations are generally completed within 30 days, and in Massachusetts, the law requires investigation completion within 30 days. About 35% of investigations nation-wide are completed within this window while the average length of time to complete investigations was 54.6 days.

Question 10: Did APS follow its policies and procedures related to investigations including the completion of administrative, investigatory, and supervisory tasks for a sample of cases reviewed (e.g., obtain medical records or police records and cross-report to other agencies)?

As part of an APS investigation, investigators are required to perform certain activities. According to Department policy, CSRs are required to cross-report when the allegation intake is closed as "Criteria Not Met." Additionally, according to investigation policy, APS investigators are responsible for filing a cross-report when an investigation is open for all reports of abuse or neglect to agencies with the authority to investigate. In the event of an emergency, APS investigators must contact 911 and file a cross-report with law enforcement.

Department investigation policy also requires investigators to maintain a case record of all alleged victims, including information such as determination of allegations, services offered to the alleged victim, and documents obtained from outside sources. Additionally, investigators are required by policy to conduct key investigative steps within specific time frames, such as attempting initial face-to-face meetings based on the investigation's priority level as discussed in Question 9, pages 33 through 34; case plans being completed by the investigator within 7 business days of the initial attempt to complete a face-to-face meeting with the alleged victim and approved by a supervisor within 2 business days of investigator completion; and investigations being approved by supervisors within 5 business days of case closure by the investigator. The Department also has a performance goal of completing an investigation within 60 days of initiating the investigation as discussed in Question 9, pages 33 through 34.

Our contractor reviewed a random sample of 269 of the 35,445 investigations the Department opened in calendar year 2023. Based on potential issues the contractor identified, we judgmentally selected 30 cases to review with the Department, and the Department agreed that 21 did not follow its investigation policies and procedures.

Specifically:

- For 9 investigations, the supervisor either did not approve the case plan or approved the case plan late.
- For 8 investigations, the investigator did not record documentation that may have been helpful to the investigation, such as pictures or body charts showing bruises, medical records, or police records.
- For 5 investigations, the investigation timeliness was not compliant with Department policies and procedures, including 2 investigations that were not initiated within the required time frames based on their priority level, 1 investigation where the initial face-to-face meeting happened before the investigator contacted the reporter, and 2 investigations that were completed outside of the Department's 60-day goal.
- For 3 investigations, the supervisor either did not approve the case closure or approved the case closure late.
- For 2 investigations, the investigator did not cross-report information about the case to the Arizona Department of Health Services when the investigator should have; for 1 investigation, the investigator did not cross-report information to the Long-Term Care Ombudsman when the investigator should have; and for 1 investigation, the investigator did report the information about the case to the Arizona Department of Health Services and the Long-Term Care Ombudsman but was late in doing so.

To help ensure that cross-reports are made to the Arizona Department of Health Services, the Department has developed a more efficient cross-reporting function. Specifically, once an investigator determines that an allegation report or investigation should be cross-reported to the Arizona Department of Health Services, the investigator only has to select the Arizona Department of Health Services from a menu, and once it is selected, information is automatically transferred

to the Arizona Department of Health Services. The Department reported that in September 2025 it expanded its new cross-reporting function to include cross-reports to its Division of Developmental Disabilities and that it has plans to expand this cross-reporting function to the Long-Term Care Ombudsman and the Arizona Health Care Cost Containment System.

To help ensure that investigators comply with its investigation policies and procedures, the Department established a Case Closure Review Unit, which it reported became fully operational in the fall of calendar year 2023. The Case Closure Review Unit is required by policy to review the investigation file for investigations with allegations that are unsubstantiated or verfied to determine if the closure is appropriate, including reviewing if all required documentation is present, the investigation file is complete, and the investigation has been completed.[17] The Case Closure Review Unit can deny the investigation closure for several reasons, such as records not being uploaded to the investigation file or the investigation file's evidence or required cross-report being incomplete. If the Case Closure Review Unit denies the investigation for closure, per policy, the APS investigator must review the case denial comments, address the issues identified, and resubmit the investigation for closure within 5 business days of the denial.

Additionally, beginning in May 2023, the Department began a centralized electronic process requiring investigators to sign a policy acknowledgment form acknowledging that they will comply with the Department's Investigations Policy Manual and that if they had any questions, they will consult with their supervisor. Department staff reported that investigators are also required to attend quarterly policy questions-and-answers meetings and to sign a new policy acknowledgement form after each meeting.

In 2020, the Administration for Community Living (ACL) issued updated guidelines for developing an efficient and effective adult protective services system that state adult protective services systems can voluntarily adhere to. ACL developed the initial guidelines years ago and updated them most recently in 2020 as a means to promote an effective adult protective services response across the country so that all older adults and adults with disabilities, regardless of the state or jurisdiction in which they live, have similar protections and service delivery from adult protective services systems.[18] Our contractor compared the Department's intake and investigations policies and procedures to the ACL's guidelines and determined they met the recommended ACL guidelines' practice in all areas, with 1 partial exception. For example, related to intake, the Department has a consistent protocol for initiating an investigation after receipt of a report and requires a face-to-face meeting with the alleged victim with a response required within 24 hours for immediate risk allegations and within 5 days or less for less serious allegations as outlined in the guidelines. As an example, related to investigations, the Department's policy requires APS to assess and take steps to ensure the safety of the alleged victim who is the subject of a report and cross-report allegations to law enforcement and other entities, as applicable, which is consistent with the voluntary guidelines.

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[17] The Department determines an allegation is verified when the alleged victim is determined to be a vulnerable adult and there is supporting evidence of abuse but the allegation is self-neglect, the alleged perpetrator is unknown or deceased, or the case involves 1 vulnerable adult caring for another vulnerable adult.

[18] Administration for Community Living (ACL). (2020). *National voluntary consensus guidelines for adult protective services systems.* Retrieved 8/22/2025 from https://acl.gov/sites/default/files/programs/2020-05/ACL-Guidelines-2020.pdf

In 2024, the ACL published a final rule for adult protective services programs.[19] The area for which the Department was not fully aligned with the 2024 ACL rule relates to not having multiple methods to be able to report allegations of abuse or neglect of a vulnerable adult available 24 hours a day, 7 days a week. As reported in Question 2, page 25, although allegations can be reported online 24 hours a day, 7 days a week, the APS Central Intake Unit, which takes phone calls of allegations, has designated hours of availability.

[19] 45 CFR part 1324.

Pursuant to A.R.S. §41-2954(D), the legislative committees of reference shall consider but not be limited to the following factors in determining the need for continuation or termination of the Department. The sunset factor analysis includes additional findings and recommendations not discussed earlier in the report.

Sunset factor 1: The key statutory objectives and purposes in establishing the Department.

The Department was established to create a single department that would provide coordinated human services to the public.

The Department's key statutory responsibilities include providing human services through more than 60 different programs in the following areas:

- Helping low-income individuals and families meet their basic needs, such as food-purchasing and cash assistance through the SNAP and TANF programs, respectively.
- Providing and coordinating services for individuals with intellectual and developmental disabilities, including educational, rehabilitation, treatment, and training services.
- Providing employment support services, including workforce programs and work training, and unemployment insurance compensation.
- Assisting custodial parents with identifying and obtaining financial resources from noncustodial parents to provide for their children's care, also known as child support.
- Providing services to support older Arizonans and vulnerable adults, including accepting and investigating reports of abuse, neglect, and exploitation of vulnerable adults ages 18 and older.
- Providing and coordinating various programs that are intended to meet the immediate and short-term needs of vulnerable Arizonans, such as operating the State's Homeless Coordination Office; providing eligible, low-income, working families with financial assistance for childcare reimbursement; and certifying and regulating childcare home providers.

Sunset factor 2: The Department's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

The Department met statutory requirements related to its statutory objectives and purposes for 1 area we reviewed.

Specifically, the Department:

- **Calculated monthly noncustodial parent child support payments we reviewed in accordance with statute**

  As previously discussed in the Introduction (see page 4), the Department's DCSS is responsible for assisting custodial parents with identifying and obtaining financial resources from noncustodial parents to provide for their children's care, including collecting monies from noncustodial parents and distributing the payment to the custodial parent, the State, or other jurisdictions based on an established court order. We reviewed 11 noncustodial parents who made or should have made monthly payments in fiscal year 2024 and found that the Department calculated noncustodial parent payments in accordance with statute, including calculating payments for principal, arrearages, and fees for noncollections, as applicable.[1,2]

Additionally, the Department has developed processes and/or taken steps to fulfill its key statutory objectives and purposes for several programs we reviewed but could improve some of its processes.

Specifically, the Department:

- **Requested information from employers that helped it identify more than $1.2 million in UI Program overpayments in calendar year 2023 but has not assessed why many employers do not respond to its requests to help improve its overpayment identification**

  As discussed in our June 2025 performance audit of the Department's UI Program, pursuant to federal regulations, the Department performs wage audits to compare UI claim data with employer wage data to identify individuals who may have received improper UI benefit payments because they have regained employment and/or have not reported wages they earned to the Department (see Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*).[3,4] This process is intended to identify and recover overpayments of UI benefits, including those classified as fraud overpayments, which result from a claimant

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1 A.R.S. §25-510. Arrearage is the total unpaid support owed, including child support, past support, spousal maintenance, and interest.

2 We reviewed 11 of 128,911 noncustodial parents who made or should have made monthly payments in fiscal year 2024, which included 10 randomly selected from the population of 128,911 noncustodial parents and later 1 judgmentally selected from the remaining 128,901 based on stakeholder input.

3 According to 20 CFR 603.23, State unemployment agencies such as the Department must crossmatch quarterly wage information with program payment information to the extent that such information is likely to be productive in identifying ineligibility for benefits and preventing or discovering incorrect payments.

4 The Department is required by the U.S. Department of Labor to have an improper payment rate below 10%, and according to U.S. Department of Labor data, the Department has had an improper payment rate below 10% since fiscal year 2022.

knowingly misrepresenting information or concealing material facts to obtain UI benefits.[5] As part of this process, anytime there is a match, the Department sends a wage audit notice to an employer requesting additional information about a claimant, such as their hire date and wages earned.

Although this process has helped the Department identify millions of dollars in UI Program overpayments, the Department's ability to identify overpayments could be improved if more employers responded to its requests. Specifically, as of August 2024, the Department had sent approximately 82,500 wage audit notices to employers related to calendar year 2023 wage data, resulting in the Department identifying more than $1.2 million in overpayments for nearly 1,900 claimants. However, only 30% of the 82,500 employers responded to the Department's wage audit notices, so the Department has likely identified only a portion of the overpayments that occurred during this time frame.[6]

According to the Department, it has not identified any federal or State laws or guidance requiring employers to respond to the wage audit notices, so it has instead tried to encourage employers to respond. However, the Department has not taken steps to collect and analyze information gathered from employers to assess the typical reasons that employers do not respond to its notices to help identify ways to increase the response rate.[7] For example, the Department reported it has an employer outreach unit that contacts employers that do not respond to wage audit notices to provide employer education, but that it has not established a requirement or expectation for the employer outreach unit to collect and analyze information from employers on why they are not responding to wage audit notices, such as by conducting a survey. Collecting and assessing information and/or feedback from employers could help the Department identify ways to improve the employer response rate, which could help it better identify claimants who are ineligible to receive UI benefits, consistent with federal regulations.

According to the Department, employers will be able to respond to wage audit notices through its new UI Program IT system, and it anticipates that this additional, new method for responding will increase employer responses. Additionally, the Department reported it plans to educate employers about this new method, and in August 2025, it provided us with a draft tutorial video it created for employers on how to respond to wage audit notices in the new UI Program IT system.

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5 According to A.R.S. §23-787(A), an individual who receives any amount of UI benefits to which they are not entitled is liable to repay the overpaid amount to the Department. Additionally, according to A.R.S. §23-787, fraud overpayments are subject to a 15% penalty of the overpayment amount, and the individual is not eligible to receive UI benefits until the total amount of the overpayment and all penalties and interest have been recovered. See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program,* pages 67 through 69, for more information about how the Department collects UI overpayment debts.

6 As reported in our audit on the UI Program, although the Department provided us with the total number of overpayments that were established and amounts collected in calendar year 2023, the Department reported that due to IT system limitations it could not provide us with the amount of overpayments collected specifically for the overpayments established as a result of wage audit crossmatches. See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*, page 76.

7 The wage audit notice uses language that could encourage a response, such as asking employers to "please complete and return the information requested" and by providing information to employers on how UI fraud harms employers' by increasing the UI tax rate.

- **Has established homeless service performance measures that include some outcomes and long-term goals but lacks benchmarks or short-term goals related to these measures, which could help it better assess and improve the effectiveness of its homeless services State-wide**

  The Department has established some performance measures for assessing the effectiveness of the services its Statewide Homeless Coordination Office is responsible for administering, but these measures could be improved (see textbox for additional information on these services). For example, consistent with recommended practices, the Department tracks some outcomes of these services to assess if they are having their intended impact, such as the number of clients who receive services through rapid rehousing with a contracted provider and find permanent housing and the number of households participating in homeless prevention services who maintain housing without a subsidy.[8] Additionally, the Department has established some long-term goals that it tracks and measures, including goals related to preventing and reducing homelessness across the State.

Department distributes federal and State monies for homeless services

The Department's Statewide Homeless Coordination Office distributes federal Emergency Solutions Grants (ESG) monies, along with other federal and State monies, to contracted providers in Arizona to provide the following homeless services:[1,2]

Street outreach: A set of services that establishes contact with people experiencing homelessness who are unwilling or unable to access emergency shelter, housing, or an appropriate health facility. Services can include client engagement, mental health services, and case management.

Rapid rehousing: A set of services that helps move people experiencing homelessness into stable, permanent housing as quickly as possible. Services can include housing searches, security deposit payments, and short- and medium-term rental assistance.

Homeless prevention: A set of services that helps prevent people who are at risk of homelessness from losing permanent housing. Services can include case management, utility payment assistance, and short- and medium-term rental assistance.[3]

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8 Recommended practices we reviewed included Government Finance Officers Association (GFOA). (2018). *Best practices: performance measures*. Retrieved 6/30/2025 from https://www.gfoa.org/materials/performance-measures; Office of Management and Budget (OMB). (2018). *Performance measurement and evaluation*. Retrieved 6/30/2025 from https://www.evaluation.gov/assets/resources/Performance-Measurement-and-Evaluation.pdf; Pew-MacArthur Results First Initiative. (2018). *The role of outcome monitoring in evidence-based policymaking*. Retrieved 6/12/2025 from https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/08/the-role-of-outcome-monitoring-in-evidence-based-policymaking; U.S. Government Accountability Office (GAO). (2023). *Evidence-Based policymaking practices to help manage and assess the results of federal efforts*. Retrieved 6/30/2025 from https://www.gao.gov/assets/830/827710.pdf; Urban Institute. (n.d.). *Quantitative data analysis*. Retrieved 6/30/2025 from https://www.urban.org/research/data-methods/data-analysis/quantitative-data-analysis/performance-measurement-and-management; National State Auditors Association (NSAA). (2004). *Best practices in performance measurement: Developing performance measures*. Retrieved 6/30/2025 from https://www.nasact.org/files/News_and_Publications/White_Papers_Reports/NSAA%20Best%20Practices%20Documents/2004_Developing_Performance_Measures.pdf.

Department distributes federal and State monies for homeless services continued

Emergency shelter: Provides services, including employment assistance, substance abuse treatment, and childcare, to people experiencing homelessness who reside in shelters.

1 The monies are provided under the established service areas by the U.S. Department of Housing and Urban Development (HUD).

2 The Department administers ESG funds for costs associated with the Homeless Management Information System, which is the information system designed to comply with HUD's data-collection, management, and reporting standards and used to collect data on the provision of housing and services to people experiencing homelessness and people at-risk of homelessness. Additionally, ESG funds may be used for costs associated with administrative activities related to the planning and execution of ESG activities, which can include monitoring program activities for progress and compliance as well as evaluating program results against stated objectives.

3 Homeless prevention and rapid rehousing provide similar allowable services for people who are either at risk of homelessness or are currently homeless.

Source: Auditor General staff review of 24 CFR 576.101 through 576.108 and Department policies and procedures.

However, the Department does not have benchmarks or short-term goals to assess the effectiveness of its homeless services, in line with recommended practices. For example, the Pew Research Center (Pew) recommends states develop benchmarks to establish performance expectations and track the progress of programs.[9] Additionally, Pew reported that measuring short- and long-term program outcomes can be particularly useful in detecting areas where performance is below acceptable standards, as well as identifying areas for improvement. Establishing short-term outcomes and benchmarks could help the Department assess its programs and participants' progress toward achieving desired outcomes and identify and make changes and improvements to its homeless services State-wide. As part of its draft fiscal year 2026 strategic plan, in May 2025, the Department updated its existing homeless service performance measures to include some short-term outcomes and benchmarks.

Developed a process and requirements to audit work performed by DDD triage nurses, which could help it monitor and provide DDD triage nurses with feedback and guidance to ensure incidents are appropriately triaged, but Department lacked a documented procedure for its process and did not always complete the audits

As previously discussed in the Introduction (see pages 2 through 3), the Department provides various services to individuals with developmental disabilities, and the Department has a network of providers to provide these services. Pursuant to the Department's contract with AHCCCS to provide services to DDD members through the Arizona Long Term Care System (ALTCS)—part of the State's Medicaid Program—the Department is required to review and triage incident reports related to service providers and to determine if these incidents meet the criteria of a quality-of-care concern, which the Department is required to investigate (see textbox, page 43, for more information on the Department's requirements, incidents, and quality-of-care concerns).[10]

9 Pew-MacArthur Results First Initiative, 2018.

10 See Arizona Auditor General report 25-114 *A Performance Audit of the Arizona Department of Economic Security—Division of Developmental Disabilities* for more information about DDD.

Department is required to review and triage incident reports to determine if they are quality-of-care concerns

Most members eligible for DDD services receive services through ALTCS, and pursuant to the ALTCS contract, the Department is required to comply with AHCCCS guidelines in the AHCCCS Medical Policy Manual (AMPM), including reviewing and triaging incident reports submitted by vendors to determine if they are quality-of-care concerns.

Specifically:

- **Incidents** are events that vendors must report to the Department if they cause harm or have the potential to cause harm to a DDD member, including potential abuse, neglect, or exploitation of a member; serious injuries to a member; medication errors; or a member who has gone missing, such as from a residential services setting.
- **Quality-of-care concerns** are incidents involving any aspect of care, treatment, utilization of behavioral health services, or physical healthcare services that caused or could have caused an acute medical or psychiatric condition or an exacerbation of a chronic medical or psychiatric condition and may ultimately cause the risk of harm to a DDD member.

DDD triage nurses are the ones who review and assess incoming incidents, and according to Department procedures, this process requires clinical judgment.

Source: Auditor General staff review of AMPM 961–Incident, Accident, and Death reporting, the AMPM contract and policy dictionary, and Department procedures.

In early 2024, the Department developed a process to require DDD triage nurse supervisors to perform an audit of incidents that were received and triaged to determine if they were accurately and appropriately triaged by DDD triage nurses, including developing a triage audit tool. According to the Department, its goal is for DDD triage nurse supervisors to conduct 10 audits per month per nurse. However, based on our review of Department data, from January to November 2024, the Department only met its 10-audit goal for 1 nurse in 1 month, and from June to November 2024, the DDD triage nurse supervisors completed no audits (see Table 3, page 44, for the number of audits completed from January to November 2024 per DDD triage nurse).

Table 3

Department only met its 10-audit per month per DDD triage nurse goal for 1 nurse in 1 month from January to November 2024

Nurse	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
1	0	2	8	2	0	0	0	0	0	0	0
2	0	2	8	2	0	0	0	0	0	0	0
3	0	2	8	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4	0	2	7	11	2	0	0	0	0	0	0
5	0	2	9	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	0	2	9	1	0	0	0	N/A	N/A	N/A	N/A

Audits completed did not meet requirement

Audits completed met requirement

N/A Nurse retired/employment stopped[1]

[1] We excluded the entire month in which the nurse retired/employment stopped.

Source: Auditor General staff review of DDD triage audit tool responses from January to November 2024 and DDD triage nurses' employment dates.

These audits can be helpful for ensuring that DDD triage nurses are complying with the AMPM and Department policies and procedures when triaging incidents. Absent their completion, the Department would be lacking this oversight mechanism to ensure DDD triage nurses have accurately triaged incidents, increasing the risk that quality-of-care concerns that can impact DDD member safety are inaccurately triaged and not investigated. Additionally, these audits could be a useful method to provide DDD triage nurses with feedback and guidance when errors are identified as the Department reported that there is no formal guidance for triaging incidents because the determination requires their clinical judgment. According to the Department, the staff member who initiated and managed the triage audit process retired in July 2024, and the Department did not monitor whether the audits were being completed, which likely led to the audits not being completed. Additionally, the Department has not developed any policies and procedures outlining these audit requirements, which also likely contributed to the issues we identified.

- **Has developed processes to help ensure APS investigations are timely and consistently initiated and completed, but can further improve its tracking of initial contact with alleged victims and is in the process of improving its cross reporting to other entities involved in protecting vulnerable adults**

  As previously discussed in the Questions and Answers—APS (see pages 24 through 37), the Department has developed various processes for overseeing APS investigations to help ensure they are timely and consistently investigated. For example, to help ensure that investigators comply with its investigation policies and procedures, the Department established a Case Closure Review Unit that reviews investigations with allegations that are unsubstantiated or verified to determine all required documentation is present, the investigation file is complete, and the investigation has been completed. Additionally, to help ensure that cross reports are made to the Arizona Department of Health Services, the Department has developed a more efficient cross-reporting function and reported that it expanded its cross-reporting function to DDD in September 2025 and plans to further expand this cross-reporting function to the Long-Term Care Ombudsman and AHCCCS. Finally, the Department tracks whether investigations are completed within its 60-day goal and in calendar year 2024, APS closed 76% of investigations within the 60-day goal, representing a 2% improvement from calendar year 2023. However, the Department has not similarly tracked whether all cases assigned to each priority level have met the priority level time frames during the calendar year. Tracking this information could be helpful for the Department to assess whether its process for monitoring case initiation time frames is helping to improve investigators' initiation timeliness.

- **Has taken steps to implement federal corrective action plans to reduce improper Supplemental Nutrition Assistance Program (SNAP) benefit payments**

  The Department is responsible for administering SNAP in the State (see Introduction, page 2, for more information on SNAP), including determining whether individuals and households meet SNAP eligibility requirements to obtain monthly benefits. Federal law also requires the Department to monitor whether it has improperly made benefit payments to individuals and households and to implement corrective actions if its improper payment rate is 6% or more (see textbox, page 46, for information on federal requirements).

Federal law requires state agencies with improper SNAP benefit payment rates of 6% or more to implement corrective action plans

The U.S. Department of Agriculture's Food and Nutrition Service (FNS) is responsible for overseeing SNAP at the federal level, including monitoring states' administration of the program in accordance with program requirements. FNS administers a quality control program in partnership with states to identify improper SNAP benefit payments made to individuals and households, including overpayments and underpayments, and annually determines state and national improper payment rates based on its review of state-provided data. Specifically, states conduct monthly quality control reviews of a statistical sample of SNAP households for payment accuracy, and FNS subsequently conducts an independent review of approximately half of the state-reviewed cases to identify any discrepancies.[1]

Federal law and FNS require states with an improper payment rate of 6% or more to identify the root causes of deficiencies leading to improper payments and to develop and implement a corrective action plan for addressing the root causes and reducing improper payments.[2] State agencies receive an annual notification from FNS when they are required to develop and submit a corrective action plan to FNS for approval. Once approved, state agencies are required to provide FNS with semiannual progress updates on the corrective actions taken until FNS determines the corrective action plan has been implemented.

1 If FNS identifies any discrepancies in either the disposition or finding of the case and the state agrees with their finding, the revised case will be used in FNS' calculation of the state's improper payment rate. If FNS determines that a state-reviewed case is accurate and correct, the case is validated and used in the improper payment rate calculation. States can also work with FNS or a neutral third party to resolve and discuss any disputes they may have with FNS' findings.

2 7 U.S.C. 2025.

Source: Auditor General staff review of U.S. Government Accountability Office. (2024). *Improper payments: USDA's oversight of the Supplemental Nutrition Assistance Program.* Retrieved 7/7/2025 from https://www.gao.gov/products/gao-24-107461

Since federal fiscal year 2022, the Department has been required to be on a corrective action plan due to its improper payment rate, and most of its overpayments have been caused by errors related to household income.[11] Specifically, as shown in Table 4, page 47, the Department's improper payment rate was higher than 6% in federal fiscal years 2022 through 2024, requiring the Department to develop and implement corrective action plans for each year to reduce its improper payment rate.[12] According to the federal fiscal year 2022 FNS annual quality control report, errors related to household income accounted for more than 77% of Arizona's SNAP overpayments in federal fiscal year 2022.[13] The Department identified similar results in its federal fiscal year 2023 corrective action plan

11 Federal law requires states to recover all SNAP benefit overpayments and promptly rectify any underpayments. The Department reported that it uses a variety of methods to collect overpayments, such as accepting repayment with cash or SNAP and/or TANF benefits, offsetting future SNAP or UI benefits, or offsetting federal income tax refunds due to a SNAP participant. In cases of an underpayment, the Department reported that it issues the remaining benefits due to the SNAP participant the day after it identifies the underpayment.

12 State data reporting requirements were suspended for federal fiscal years 2020 and 2021 due to the COVID-19 pandemic.

13 Food and Nutrition Service. (2024). *Supplemental Nutrition Assistance Program: Quality control annual report fiscal year 2022.* U.S. Department of Agriculture. Retrieved 7/24/2025 from https://fns-prod.azureedge.us/sites/default/files/resource-files/snap-qc-annualReport-fy22.pdf

and found that more than half of the errors it reviewed that year were related to household income and could be attributed to either SNAP participant or Department actions.[14]

Table 4

Although Department's SNAP improper payment rate decreased from federal fiscal year 2022 to federal fiscal year 2024, it remained above 6% and consisted primarily of benefit overpayments[1]

	Federal fiscal year 2022	Federal fiscal year 2023	Federal fiscal year 2024
Total overpayment rate	9.62%	9.72%	7.56%
Total underpayment rate	1.77%	1.67%	1.28%
Total improper payment rate	11.39%	11.39%	8.84%

1 FNS published state and national improper payment rates for federal fiscal year 2024 on June 30, 2025.

Source: Auditor General staff review of FNS SNAP improper payment rate data for federal fiscal years 2022 through 2024.

The Department has established processes or initiated various efforts to reduce improper payments, consistent with its most recent federal fiscal year 2023 corrective action plan.[15]

For example, the Department:

- **Identifies and addresses root-cause deficiencies for each identified improper benefit payment**

  The Department developed a root-cause tracking spreadsheet and process to help it identify the common root-cause deficiencies that led to improper payments that occurred each month since October 2023. According to the Department's corrective action plan, the Department identifies the root causes by requiring supervisors to meet with Department staff who authorized each improper payment to determine how and why the improper payments occurred. According to the Department's root-cause tracking spreadsheet, the most common root-causes it identified as of August 2025 were Department staff misunderstanding Department policies and procedures, Department staff failing to apply information received from SNAP participants when assessing eligibility for benefits, and SNAP participants failing to report changes to household income. After supervisors meet with Department staff, SNAP leadership and supervisors are then required to develop appropriate countermeasures based on the

14 SNAP participants are required to report household income to the Department, including any changes to their household income, so the Department can determine the amount of SNAP benefits a participant is eligible for. As such, a SNAP participant's actions such as failure to report some household income or any changes in household income can lead to an improper payment of SNAP benefits. An improper payment could also occur due to Department actions, such as if Department staff incorrectly establish a SNAP participant's household income by applying an incorrect policy or procedure.

15 As of July 2025, the Department was working on developing its federal fiscal year 2024 corrective action plan and anticipated submitting it to FNS for approval by August 29, 2025.

identified root cause(s) of the improper payments, including regularly reviewing data to determine if the deficiencies are limited to individual staff members or representative of a larger trend, and whether additional training is necessary for specific individuals or for staff division-wide. See next 2 bullets for additional information about countermeasures identified and implemented for Department staff and SNAP participants.

- **Periodically develops and implements trainings to address root-cause deficiencies of improper benefit payments**

  The Department identified the need for additional training in its federal fiscal year 2023 corrective action plan, which it submitted to FNS for approval in August 2024, and the Department began providing periodic staff training as early as January 2024, prior to the corrective action plan being approved. According to its corrective action plan, training topics and frequency were determined by identifying root-cause deficiencies as discussed above and were also initially determined based on findings and recommendations from Department workgroups that were established to identify process deficiencies and develop and provide relevant staff trainings.[16] According to the Department's training tracking spreadsheet, training topics it has provided specifically related to Department staff misunderstanding policies and procedures include policy navigation and interpretation, social security unearned income, prorating benefits, and rare income types. The Department reported that after it provides a training, it archives the materials, such as prequizzes, postquizzes, and training recordings, to be updated and reused as needed for future training opportunities. The Department further reported that it plans to continue developing and implementing training to address root-cause deficiencies, even if it was not subject to a corrective action plan.

- **Has taken some steps to improve SNAP participants' understanding of program reporting requirements**

  As previously discussed, the Department has identified SNAP participants' failure to report any changes in household income as a common root-cause of improper payments. As such, the Department developed notification materials to remind SNAP participants through email, text, or phone call that they are required to report any changes to household income and provide a link to the Department's website and/or instructions on how to report changes. As of July 2025, the Department reported that it plans to begin sending notifications to SNAP participants on the fifteenth day of the third and ninth months of a participant's SNAP benefit-certification period.

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[16] The Department established multiple work groups that each focus on specific factors contributing to the most common root-cause deficiencies, such as staff understanding and application of Department policy and documentation, household income verification and budgeting, and household income changes or anomalies.

Finally, we identified deficiencies in some Department processes we reviewed.

Specifically, the Department:

- **Did not update its UI Program IT system to reflect statutory eligibility changes resulting in $2.4 million in overpayments that the Department waived and thus did not recover**

  The Department is statutorily responsible for determining if individuals applying for UI benefits meet certain monetary eligibility requirements. Laws 2021, Ch. 412, §§2 and 3, modified a monetary eligibility requirement, effective January 2023, for how much claimants needed to have earned to be eligible for benefits.[17] However, the Department discovered in November 2023 that it did not update its UI Program IT system to accurately evaluate monetary eligibility based on the statutory changes and subsequently updated the UI Program IT system in December 2023, 11 months after the change was effective.[18] As a result, from January to December 2023, 925 ineligible claimants were approved and paid UI benefits, totaling more than $2.4 million, and the Department did not recover these overpayments because the overpayments were the result of a Department error.[19] Although the Department has processes for reviewing statutory changes and developed an action plan to make changes based on Laws 2021, Ch. 412, Department staff inaccurately assessed the legislation. According to the Department, it modified its process to require both sides of the UI Program—UI benefits and UI tax—to review and confirm for all statutory changes whether the legislation impacts their processes or requirements, and formally documented this process in its procedures in June 2025.

- **Did not timely reimburse all employers impacted by overpayments caused by Department errors until our audit**

  The Department collects State UI taxes from employers to pay for claimants' UI benefits. Some employers, such as nonprofit, government, tribal, and religious organization employers, do not pay State UI taxes and instead reimburse the Department for the cost of issuing UI benefits to their former employees—called reimbursable employers. However, as a result of our audit, the Department discovered that 535 reimbursable employers did not receive a reimbursement they were owed—some of which it identified due to our audit and others the Department identified after further assessing its UI Program IT system. These employers did not timely receive a reimbursement they were owed because when the Department made the IT system changes to reflect the overpayments made to these employers' former employees, the overpayments were not identified accurately

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17 Laws 2021, Ch. 412, §2, specifically increased the annual State unemployment tax taxable wages limit requiring employers to pay UI taxes on the first $8,000 paid to each employee, an increase from the previous $7,000. As a result, this change increased the amount by which claimants must earn during at least 2 quarters of their base period to be eligible, in accordance with A.R.S. §§23-771 and 23-622. See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program,* pages 58 through 59, for more information on monetary eligibility.

18 Laws 2021, Ch. 412, also made other changes to the administration of the UI Program, such as increasing the maximum weekly benefit amount from $240 to $320, effective July 1, 2022. The Department made timely system modifications to reflect the other changes made to the UI Program.

19 The $2.4 million in UI benefit overpayments were classified as administrative overpayments, meaning these overpayments occurred through no fault of the claimant. The overpayments were subsequently waived from repayment in accordance with A.R.S. §23-787, which allows the Department to waive all or a portion of an overpayment when the claimant is without fault for the amount overpaid and repayment would be against equity and good conscience. See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*, pages 61 through 66, for more information about overpayments and waivers.

as a Department error. The Department provided documentation to show that these reimbursable employers were later reimbursed. In June 2025, the Department developed procedures for testing and verifying that its system changes are done accurately.

- **Did not timely resolve unemployment insurance and public assistance appeals in accordance with federal or State requirements, which could impact claimants'/clients' ability to resolve issues with receiving benefits**

Department claimants, clients, and interested parties have the right to appeal Department decisions, such as determinations related to their benefits, including the amount of benefits received and eligibility. According to Department data, most appeal decisions issued in fiscal year 2024 were for unemployment insurance and public assistance programs (i.e., nutrition, cash, and medical assistance benefits). State and federal regulations set specific time frames in which appeal decisions must be issued by administrative law judges, and Department data indicates that in fiscal year 2024, it was untimely in issuing most appeal decisions (see Table 5 for more information on time frames and the Department's performance).[20]

Table 5

Department was untimely in issuing most unemployment insurance and public assistance program first-level appeal decisions in fiscal year 2024

Appeal type	Time frame in which decisions must be issued after appeal is filed	Appeals issued that did not meet requirement	
Unemployment insurance	80% issued within 45 days	15,222 of 15,283	(99.6%)
Cash assistance	Within 90 days	683 of 1,021	(66.9%)
Nutrition assistance	Within 60 days	8,707 of 10,506	(82.9%)
Medical assistance	Within 90 days	7,260 of 16,686	(43.5%)

Source: Auditor General staff review of AAC R6-12-1012, AAC R9-34-111, 20 CFR 650.4, 7 CFR 273.15, and Department data.

The Department is under corrective action plans by both the U.S. Department of Labor (DOL) and the U.S. Department of Agriculture's Food and Nutrition Service (FNS) related to the untimeliness of issued unemployment insurance and nutrition assistance appeals, respectively. The Department reported to DOL and FNS that it is addressing its appeals timeliness through seeking additional funding to allow for staff overtime and hiring additional administrative law judges, and that it was identifying additional times to hold hearings and/or planned to "aggressively schedule" hearings on the administrative law judges' calendars.

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[20] Time frames established in State and federal regulations for appeal decisions are for the first level of appeals issued, which are issued by administrative law judges. These are considered the first level of appeal because claimants, clients, and interested parties have the ability to further appeal an administrative law judge's decision to the Department's Appeal Board (see Appendix B, page b-1, for more information about the Appeals Board).

Has not implemented our previous recommendations to develop State-required IT policies and procedures

Arizona State agencies are required to develop IT-security-specific procedures consistent with Arizona Department of Homeland Security (ADOHS) State-wide policies. ADOHS' policies are intended to help State agencies implement recommended IT security practices and to protect the State's IT infrastructure and the data contained therein. Our 2017 IT security audit of the Department identified multiple IT security areas where we recommended the Department develop or continue to develop and implement policies and procedures, including IT risk assessment procedures.[21] In October 2020, our 42-month followup report found that the Department was still in the process of addressing most recommendations.[22]

During this audit, we found that most of the Department's IT security policies and procedures had not been reviewed or revised annually, as required by ADOHS. Additionally, although the Department developed procedures for most areas we reviewed, we found deficiencies in the procedures that did not comply with ADOHS' requirements, and/or the Department was not complying with its own procedures. For example, the Department had developed IT risk-assessment procedures but had not fully implemented the procedures or performed an IT risk assessment. Additionally, the procedures did not identify how frequently an IT risk assessment should be done, and the Department reported it had not implemented a Department-wide IT risk-assessment process or performed an entity-wide IT risk assessment, as required by ADOHS. As of June 2025, the Department updated and developed additional IT security policies and reported that it planned to update its IT security procedures once it completes finalizing and updating all IT security policies.

Determined that Department employees at Arizona@Work offices should have read-only access to some UI Program IT systems, but users have privileges greater than read-only

Arizona@Work provides employment services and resources at locations across the State, including providing resources and assistance to UI claimants (see textbox for more information on Arizona@Work). During the audit, in July 2024, the Department reported to us that Department employees who work at Arizona@Work offices, which consist of both Department and non-Department employees, should not have any access

Arizona@Work provides employment services and resources across the State, including to UI claimants

As reported in our June 2025 performance audit of the Department's UI Program, the Department, in partnership with Arizona@Work—the State-wide workforce development entity responsible for implementing provisions of the Workforce Innovation and Opportunity Act of 2014 (WIOA)—provides resources and services to individuals in the State seeking employment opportunities. Arizona@Work maintains offices across the State to provide various WIOA services and resources, including no-cost access to computers and telephones, which UI claimants may use to file claims, appeals, and other related documents, or to call and access the UI Program's call centers.

Source: Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*.

[21] See Arizona Auditor General report 17-104 *A Performance Audit of the Arizona Department of Economic Security (Department)—Information Technology Security*.

[22] See Arizona Auditor General report 17-104 *A Performance Audit of the Arizona Department of Economic Security (Department)—Information Technology Security—42-month Followup*.

to the UI Program's IT systems.[23] However, our comparison of user access lists for 3 UI Program IT systems compared to Arizona@Work employee lists as of September 2024 found that some Department employees who work at Arizona@Work offices had access to these 3 systems. Subsequent to our review, in March 2025, the UI Program and Arizona@Work reported it determined both that Department employees who work at Arizona@Work offices should have access to these systems to provide assistance to UI claimants, but that access, particularly for the main UI Program IT system, should be read-only. However, we found during our review in September 2024 that some Department staff had privileges that were greater than read-only, such as having the ability to make edits to specific details related to UI claims. The Department reported in March 2025 that it plans to review all Arizona@Work employees with access to the UI Program IT systems and to confirm that access and privileges are appropriate.

- **Provided inconsistent customer service to some UI claimants and has not analyzed UI Program data to identify potential access barriers or systemic discrimination, potentially causing claimant hardships and frustration and impacting its ability to implement UI Program improvements**

  The Department is responsible for providing UI Program customer service to the public through call centers and its website and has planned or initiated various UI Program modernization efforts to help improve customer service, including developing a new UI Program IT system. We found that the Department provided some UI claimants with accurate and quality phone customer service in calendar year 2023 but provided other claimants with poor-quality customer service and inaccurate information, and some claimants experienced long wait times to reach Department call center staff, potentially causing claimant hardships and frustration. Additionally, the Department has not analyzed UI Program data for potential systemic discrimination as required by federal regulation and delayed a required UI Program assessment that could help it comply with the regulation by identifying and addressing UI Program access barriers. As such, this impacts the Department's ability to implement improvements and increases its risk of poor IT system project outcomes. We recommended that the Department develop and/or revise and implement customer service policies, procedures, and staff training; continue to monitor customer service provided by staff, review and analyze UI Program customer service performance metrics, and correct identified deficiencies; and conduct the required assessment of the UI Program and incorporate corrective actions to address any identified deficiencies into UI Program modernization efforts. See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program* for additional information and recommendations.

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[23] In accordance with federal law, Arizona@Work is responsible for providing core programs designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with skilled workers, including providing these programs through a centralized delivery system that includes the corresponding State and local entities that are responsible for administering them, such as the Department and the Arizona Department of Education. As such, staff at Arizona@Work offices consist of both Department and non-Department employees. See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program*, Appendix A, pages a-1 through a-3, for more information about Arizona@Work.

- **Failed to appropriately classify and subsequently investigate and resolve some reported incidents involving DDD members, and 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**

  The Department is contractually responsible for ensuring that quality-of-care concerns involving vendors providing services to DDD members are investigated and resolved. We found that the Department did not investigate some DDD member quality-of-care concerns we reviewed that it should have because it erroneously considered DDD-vendor-reported information when determining if incidents should be investigated. Additionally, the Department did not follow its procedures for ensuring that DDD vendors corrected or timely corrected violations it identified in 6 of 15 quality-of-care concern investigations we reviewed, and those violations could put DDD members' health and safety at risk. We recommended that the Department follow AHCCCS policy to ensure it appropriately investigates all quality-of-care concerns and that it follow its procedures for ensuring that DDD vendors have corrected violations identified during quality-of-care concern investigations. See Arizona Auditor General report 25-114 *A Performance Audit of the Arizona Department of Economic Security—Division of Developmental Disabilities* for additional information and recommendations.

- **Did not conduct on-site monitoring reviews every 3 years for 5 of the 8 Area Agencies on Aging (AAAs) consistent with its State Plan to determine contract compliance, thereby not helping to ensure client well-being and appropriate use of public monies**

  As the designated State Unit on Aging, the Department is responsible for developing and administering a multi-year State plan that outlines the State's goals and objectives for providing assurances under the federal Older Americans Act. The Department is also responsible for dividing the State into distinct planning and service areas and designating a public or private nonprofit agency or organization as the AAA, and the Department has contracted with 8 AAAs. We found that as of August 2025, the Department had not conducted on-site monitoring for 5 of the 8 AAAs in the State every 3 years, as outlined in its State plan. By not conducting timely on-site monitoring reviews of some AAAs, the Department has not determined contract compliance in a timely manner, which does not help ensure client well-being and appropriate use of public monies. We recommended that the Department conduct an on-site monitoring review of each AAA every 3 years and adhere to or accelerate review time frames to ensure the monitoring reviews of the 5 AAAs that are overdue are conducted and that the 3 AAAs that are not overdue as of August 2025 do not become overdue. See Arizona Auditor General report 25-115 *A Performance Audit of the Arizona Department of Economic Security—Contract Oversight of Area Agencies on Aging* for additional information and recommendations.

Recommendations to the Department

Review and assess its wage audit notice process and assess whether changes can be implemented to its processes to increase employer response rates, including:

7. Reviewing its wage audit notice form to evaluate whether the verbiage or form can be revised.

8. Collecting, tracking, and evaluating feedback from employers when conducting outreach on unanswered wage audit notices to determine why they have not responded.

9. Educating employers on using its UI Program IT system to respond to wage audit notices.

10. Tracking and monitoring whether the changes it has implemented to its processes increase employer response rates.

11. Implement its fiscal year 2026 strategic plan to develop and track benchmarks and short-term goals for its existing homeless service performance measures.

12. Develop and implement procedures to outline its DDD triage audits.

13. Develop and implement a process to annually track the timeliness of APS investigators making initial contact with alleged victims, including tracking the percentage of investigations assigned to each priority level that have met priority level time frames for making initial contact and the range of time to make initial contact for investigations with untimely contact, and identifying and addressing common causes of untimely contact.

14. Continue to develop and implement its new cross-reporting system for APS investigations.

15. Continue to develop and implement improper payment reduction efforts, consistent with FNS-required corrective action plans, to reduce the State's SNAP improper payment rate and meet requirements in federal law.

16. Continue to implement its procedures that require Department staff from both the UI tax and UI benefit units to assess statutory changes to confirm whether it impacts their portion of the program.

17. Continue to implement its procedures for testing and verifying UI Program IT system changes.

18. Continue its efforts to address its corrective action plans with DOL and FNS to improve its appeals timeliness.

19. Require its Chief Information Security Officer to develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with ADOHS requirements, including outlining associated completion deadlines and assigned staff responsibilities.

20. Review all Arizona@Work employee access to the UI Program IT systems and ensure access and privileges provided to these employees are appropriate.

Department response: As outlined in its **response**, the Department agrees with all the findings and will implement or implement in a different manner the recommendations.

Sunset factor 3: The extent to which the Department's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

Our review did not identify other governmental or private entities that duplicate the Department's key statutory objectives and purposes. However, we identified 3 areas where the Department provides similar services to 2 other State government agencies, including 1 area where the Department is responsible for performing similar regulatory responsibilities and another in which the Department could further improve its coordination with the other State agency.

Specifically:

- **Department and Arizona Department of Health Services (DHS) both regulate and oversee providers and entities in similar areas but are responsible for regulating different aspects of the regulated community**

  Although the Department and DHS similarly have responsibilities in the regulation and oversight of providers and entities that provide services to individuals with developmental disabilities and childcare providers, they regulate different parts of the regulated community. Specifically:

  - **DHS is responsible for regulating group homes for individuals with developmental disabilities, and the Department certifies these facilities to provide services to DDD members**

    DHS is responsible for licensing and regulating group homes for individuals with developmental disabilities.[24] According to A.R.S. §36-551, group homes can provide care for up to 6 DDD members, including room and board, daily habilitation, and other medically necessary services and supports. Department rules require individuals and agencies that provide home- and community-based services (HCBS) to DDD members to be certified, which includes members who reside in group homes and may include group homes.[25,26] Therefore, a group home could be both licensed by DHS for the facility and certified by the Department to provide HCBS to DDD members. According to the Department, DHS has expertise in licensing and overseeing the physical facility

[24] A.R.S. §36-132(A)(21).

[25] AAC R6-6-1502 and R6-6-1503.

[26] Department policy requires vendors, which can include group homes, to maintain documentation to demonstrate that its staff comply with HCBS requirements.

and its various requirements, whereas the Department's focus and expertise is on programmatic requirements.

Statute requires various communication between the Department and DHS related to group homes. Specifically, A.R.S. §36-591 requires the Department to notify DHS when it contracts with a group home to provide services and when it identifies a violation of health and safety standards observed during monitoring visits. Additionally, A.R.S. §36-591 requires DHS to notify the Department when it denies, suspends, revokes, or takes any other licensing action against a group home's license and when it substantiates complaints regarding health and safety. For example, the Department receives reports and complaints from DHS that the Department reviews and triages to determine whether they are quality-of-care concerns.

The Department is also responsible for licensing and regulating child and adult developmental homes to provide care for DDD members, which are different than group homes.[27] Child and adult developmental homes are a family residence where the licensed provider, not employed by the Department or a DDD provider, offers 24-hour care and supervision for up to 3 individuals or a group of siblings.[28]

- **Although the Department is responsible for regulating childcare home providers and DHS regulates childcare group homes and childcare centers, both have regulatory responsibilities that may have overlap**

  The Department is responsible for certifying and regulating childcare home providers who care for up to 4 children in their home or in the children's own home for compensation. In comparison, DHS is responsible for certifying and regulating childcare group homes that provide care for 5 to 10 children in a provider's home, as well as licensing and regulating childcare centers, which are nonresidential facilities.

  According to the Department, its certification process serves a different purpose than DHS's licensure process because the certification process was established so childcare providers that do not require State licensure can contract with the Department to receive childcare assistance payments.[29] Further, the Department reported that it collaborates with DHS to align standards and rules, such as aligning DHS licensure rules with federal requirements that licensed childcare providers must meet to contract with the Department and receive childcare assistance payments. However, in our February 2017 audit on the Department's childcare services, we found that although the Department and DHS regulated different types of providers, they perform many of the same regulatory responsibilities, such as reviewing applications and conducting onsite visits during the licensure or certification process; conducting routine inspections to monitor compliance with laws and regulations; investigating complaints; and adopting rules. We recommended the Department work with DHS and stakeholders to examine the costs and benefits of consolidating the

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[27] A.R.S. §36-551(25)(b).

[28] A.R.S. §36-551(2) and (13).

[29] A.R.S. §46-802 requires the Department to establish and administer childcare services, which includes certifying childcare home providers that are not required to be licensed by DHS pursuant to Title 36, Chapter 7.1, for the purposes of providing care to children eligible for childcare assistance.

Department's and DHS' childcare regulatory functions.[30] We also recommended that the Department share any options to increase the efficiency and/or reduce or better manage fragmentation, overlap, and duplication identified during the analysis with relevant entities, including policymakers, as appropriate, regardless of its conclusions regarding consolidation and to work with stakeholders and the Legislature if it determines it would be worthwhile to pursue consolidation.

Our April 2019 followup found that these recommendations were not implemented, including that the Department, in conjunction with DHS and other stakeholders, concluded that it would be in the State's best interest to maintain the existing separation of regulatory responsibilities for childcare providers. The Department had reported during the followup that the types of providers and childcare settings are significantly different and do not overlap, but we found that the conclusion was not based on an analysis of the costs and benefits of consolidation and did not account for the many similarities in regulatory responsibilities of the 2 agencies, such as processing applications and conducting compliance reviews, and that the primary consideration was the 2 agencies regulating different populations of childcare providers.[31]

- **Department has not established a process to jointly monitor homeless service providers with the Arizona Department of Housing (ADOH), which could allow providers to receive reimbursement from both agencies for the same services**

  As discussed in our October 2024 report on ADOH, both the Department and ADOH administer programs that provide monies to pay for emergency shelter and services to individuals experiencing homelessness.[32] Although the Department and ADOH receive and administer grant monies from different sources, some homeless service providers receive grant funding from both the Department and ADOH to provide similar services. However, according to the Department, it does not coordinate with ADOH in identifying providers that receive monies from both agencies. This lack of coordination increases the risk that providers could request and receive reimbursement from both agencies for the same service. For example, as reported in the State's fiscal year 2023 single audit report, both the Department and ADOH reimbursed a nonprofit organization subrecipient for some unsupported and/or unallowable federal program costs in fiscal year 2023, such as reimbursements for bookkeeping services that were not adequately supported with sufficient documentation.[33] We found that this subrecipient allocated its costs to both the Department and ADOH, and although this provider did not receive reimbursement from both agencies to account for more than 100% of its costs, the Department and ADOH did not verify that the allocation method the subrecipient used was reasonable or that costs were allowable. Further, the Department reported that when it reimburses providers, it does not review supporting documentation that would contain the level of detail to show

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30 See Arizona Auditor General report 17-103 *A Performance Audit of the Arizona Department of Economic Security—Child Care Services.*

31 See Arizona Auditor General report 17-103 *A Performance Audit of the Arizona Department of Economic Security—Child Care Services 24-month Followup*.

32 See Arizona Auditor General report 24-114 *Arizona Department of Housing—Sunset Review*.

33 See Arizona Auditor General report *State of Arizona—Single audit report: Auditors' section, year ended June 30, 2023.*

the allocation of costs among different federal programs, and instead, this information may be reviewed when it performs monitoring visits. However, as we reported in the fiscal year 2023 single audit report, although Department policies and procedures require onsite monitoring visits every 3 years, it had not yet resumed its monitoring activities, such as conducting on-site monitoring visits, since suspending the activities in fiscal year 2020.

Recommendations to the Department

21. Work with DHS and stakeholders to reassess and examine the costs and benefits of consolidating their childcare regulatory functions and share any options to increase the efficiency and/or reduce or better manage fragmentation, overlap, and duplication identified during the analysis with relevant entities, including the Legislature, regardless of its conclusions regarding consolidation.

22. If the Department determines that it would be worthwhile pursuing consolidation, it should take the next steps to move toward consolidation, including seeking the necessary approval to proceed with consolidation and working with stakeholders and the Legislature to develop and execute an implementation plan.

23. Develop and implement a process to coordinate with ADOH to identify providers that receive funding from both agencies and ensure reimbursement submissions contain appropriate allocations and that the provider is not receiving reimbursement for more than 100% of its allowable costs.

Department response: As outlined in its **response**, the Department agrees with all the findings and will implement the recommendations.

Sunset factor 4: The extent to which rules adopted by the Department are consistent with the legislative mandate.

Our review of the Department's statutes and rules found that the Department has not developed rules required by the following statutes:[34]

- A.R.S. §36-568(C), effective August 27, 2019, requires the Department to adopt rules regarding the use of electronic monitoring in group homes, nursing-supported group homes, and intermediate-care facilities. The Department received approval from the Governor's Office in May 2024 to engage in rulemaking and as of June 2025, reported it submitted draft rules to the Independent Oversight Committee and the Arizona Developmental Disabilities Advisory Council for feedback, pursuant to requirements in A.R.S. §§41-3801(G) and 36-553(F), respectively.[35] The Department reported that after it incorporates feedback from these 2 entities, as appropriate, it plans to file a Notice

[34] In conducting this assessment, we relied, in part, upon Department-reported information.

[35] A.R.S. §41-1039 requires State agencies to receive written approval from the Governor to conduct rulemaking.

of Proposed Rulemaking with the Secretary of State and estimated it would forward the notice to the Governor's Regulatory Review Council and the Administrative Rules Oversight Committee by the end of calendar year 2025.

- A.R.S. §36-592(H), effective June 30, 2019, requires the Department to establish minimum qualifications, responsibilities, and oversight for licensing and monitoring adult and child developmental homes. The Department requested approval from the Governor's Office to engage in rulemaking in December 2024 and received approval in January 2025. According to the Department, it plans to seek input on draft rules from the DDD Independent Oversight Committee, the Arizona Developmental Disabilities Advisory Council, and the Arizona Attorney General's Office prior to filing a Notice of Proposed Rulemaking, which it anticipates filing in calendar year 2026. In the interim, the Department included the minimum requirements in its DDD Provider Manual, which the Department reported can be enforced because its qualified vendor agreement requires DDD qualified vendors to comply with DDD policies.

- A.R.S. §46-219(B), effective August 9, 2017, requires the Department to adopt rules related to drug testing described in A.R.S. §46-219 for SNAP eligibility. The Department received approval from the Governor's Office in March 2024 to engage in rulemaking and reported in June 2025 that it was reviewing and incorporating feedback received from the Arizona Attorney General's Office into its draft rules. The Department estimated it will file a Notice of Proposed Rulemaking with the Secretary of State by November 2025.

- A.R.S. §46-452.01, made effective by Laws 1989, Ch. 215, §6, requires the Department to adopt rules for implementing the State Long-Term Care Ombudsman program.[36] The Department requested and received approval from the Governor's Office to engage in rulemaking in August 2025.

Recommendation to the Department

24. Adopt rules as required by A.R.S. §§36-568, 36-592, 46-219, and 46-452.01.

Department response: As outlined in its **response**, the Department agrees with the finding and will implement the recommendation.

[36] According to A.R.S. §46-452.02, the State Long-Term Care Ombudsman is responsible for hearing, investigating, and resolving complaints of residents in long-term care facilities; providing advice to these residents; and making referrals to legal services or other community services.

Sunset factor 5: The extent to which the Department has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

The Department has provided public access to rulemakings, including soliciting public input when making rules. Specifically, our review of the Department's 3 most recent rulemakings, finalized in January 2020, February 2020, and October 2020, found that the Department informed the public of its recent rulemakings and provided opportunities for public input. For these 3 rulemakings, the Department published notices of its proposed rulemakings in the Arizona Administrative Register and provided the contact information for Department staff who could receive public input about the proposed rulemakings. The Department also allowed the public to submit written comments on proposed rule changes for at least 30 calendar days after it published the first notice of proposed rulemaking.[37]

However, we also reviewed the Department's compliance with the State's public records law and recommended practices and found the Department improperly denied 2 requests before requesting additional information from a requestor. Specifically, our review of 10 public records requests identified issues with 2 requests that were denied.[38] The Department had received 2 requests from a federal law enforcement agency requesting wage information for specific individuals, and the Department denied the request because the requestor did not submit a confidential records release form. According to Department staff, this request was improperly denied because its staff should have provided the form to the requestor and allowed them 10 business days to return it.[39] However, the Department's policies and procedures do not include any guidance for its process of requesting and receiving the confidential records release form.

Additionally, we found that 2 public records requests were open for 339 and 350 days, respectively, as of January 13, 2025, and the Department had not provided the requestors with a notice of the delay. As a result, requestors may be unclear when to expect their requested records, and the Department may not be able to ensure or demonstrate that it is providing requested records promptly, as required by statute.[40] We also identified some areas where the Department could further enhance its public records policies and procedures to align with recommended practices from the Arizona Ombudsman-Citizens' Aide Office and the *Arizona Agency Handbook*.[41] Specifically, the Department's policies and procedures do not include

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37 According to the Department's *Notice of Final Rulemaking* published in the Arizona Administrative Register, the Department received 47 public comments for the proposed rulemaking it finalized in January 2020. The Department made some changes to the proposed rules based on these comments. For example, a member of the public recommended the Department update its rules to define what constitutes an "error" within a nutrition assistance program client application that requires redetermining eligibility and benefit amounts. The Department agreed with the suggested change and amended its administrative rules. According to the Department's *Notice of Final Rulemaking*, it did not receive public comments for the rules it finalized in February and October 2020.

38 We reviewed 2 samples, a random sample of 8 of 630 public records requests that the Department received and closed between November 12, 2024 and January 12, 2025, via its records request portal. Additionally, we reviewed a judgmental sample of 2 of 6 public records requests that were open as of January 13, 2025, both of which were the longest open requests and were received prior to the Department implementing its online public records portal.

39 The Department fulfilled the request after the requestor submitted a second, separate records request.

40 A.R.S. §39-121.01(D)(1).

41 Arizona Ombudsman-Citizens' Aide. (2024). *Arizona Public Records Law*. Retrieved 5/31/2025 from https://www.azoca.gov/wp-content/uploads/Public-Records-Law-Booklet-2024.pdf; Arizona Office of the Attorney General (AAG). (2018). *Arizona agency handbook*. Retrieved 5/31/2025 from https://www.azag.gov/office/publications/agency-handbook

procedures for providing requestors with an anticipated date of production based on the agency's resources, nature of request, content of the records, and location of the records, as recommended by the Arizona Ombudsman-Citizens' Aide Office and as appropriate, notifying the requestor of any delays, as recommended by the *Arizona Agency Handbook*.[42] Further, the Department implemented a new online public records portal on November 12, 2024, through which members of the public can create an account and submit public records requests to the Department. Although the Department has public records policies and procedures, it has not yet updated them to outline its new processes for its online portal.

Finally, we found that the Department and the public bodies it supports complied with open meeting law requirements we reviewed with 1 exception (see Introduction, page 6, and Appendix B, pages b-1 through b-5, for more information about these 10 public bodies). We observed 5 meetings for 5 different public bodies that occurred between January 8, 2025 and February 12, 2025, to assess these public bodies' compliance with open meeting law requirements.[43] We found that these public bodies complied with most open meeting law requirements we reviewed, such as posting the meeting agenda 24 hours in advance of the meeting, following its noticed agenda, and making meeting minutes available for public inspection 3 working days after the meeting. However, we found that for 2 meetings, the public bodies did not list the meetings' location in the minutes, as required by statute.[44,45] Although as of September 2023 the Department had drafted open meeting law policies and procedures, it has not yet implemented them. According to the Department, it planned to finalize and implement the open meeting law policies and procedures in September 2025. Written policies and procedures that include the applicable meeting law requirements would help ensure the Department's 10 public bodies are aware of and comply with all open meeting law requirements.

Recommendations to the Department

Update and implement its public records policies and procedures to help it comply with the public records law and recommended practices, and reflect new processes since implementing the public records portal, including procedures and guidance for:

25. When staff should require the confidential records release form or any other relevant forms, including how long requestors should be given to provide the completed form before the request is closed.

26. Providing requestors with an anticipated time frame for providing requested records, based on the Department's resources, nature of the request, content of the records, and location of the records, and notifying the requestor of any delays, as necessary.

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42 AAG, 2018; Arizona Ombudsman-Citizens' Aide, 2024.

43 We observed all meetings held between January 1, 2025 and February 12, 2025, for 5 of the 10 public bodies, consisting of the Arizona Apprenticeship Advisory Committee, the Interagency Coordination Council for Infants and Toddlers, the Arizona Developmental Disabilities Planning Council, the Arizona State Rehabilitation Council, and the Governor's Council on Spinal and Head Injuries. See Appendix C, page c-4, for more information about how we selected which public bodies to observe.

44 Locations were not listed on meeting minutes for the Arizona Apprenticeship Advisory Committee and the Arizona Governor's State Rehabilitation Council.

45 A.R.S. §38-431.01.

27. Finalize and implement its draft open meeting law policies and procedures.

Department response: As outlined in its **response**, the Department agrees with all the findings and will implement the recommendations.

Sunset factor 6: The extent to which the Department timely investigated and resolved complaints that are within its jurisdiction.

The Department receives various complaints, grievances, and intakes of noncompliance or allegations, such as allegations of abuse, neglect, or exploitation of vulnerable adults, across its various programs and divisions/offices (see Table 6, pages 63 through 64, for examples). We reviewed the Department's complaint-handling processes and whether it timely investigated and resolved these complaints for 2 areas where it has regulatory responsibilities and its processes for receiving and resolving general complaints and inquiries through its Ombudsman and client advocates. We found that the Department generally investigated and resolved these complaints timely, but its rules do not accurately reflect how it receives and handles complaints in 1 area.

Specifically:

- **Department timely investigated and resolved all certified childcare home providers complaints it received in fiscal year 2024**

  As previously discussed (see Sunset Factor 3, pages 56 through 57), the Department is responsible for certifying and regulating childcare home providers that care for up to 4 children in their home or the children's own home for compensation, and for investigating complaints received against childcare home providers.[46] According to Department procedures, once complaints are received, investigations should be conducted within 1 to 3 days, but the Department reported that in practice, it requires Department staff to conduct a site visit of the childcare provider within 48 hours to investigate and determine if the complaint is substantiated or unsubstantiated, and rule requires the Department to conduct an investigation for compliance matters during the investigation.[47] If deficiencies are identified and/or the complaint is substantiated, Department procedures require it to develop an improvement plan for the certified home provider and requires Department staff to conduct monitoring visits for up to a couple of months to assess implementation. If the complaint alleges abuse or neglect of a child, the Department reported the complaint is handled by its OIG, and Department policy, and A.R.S. §13-3620 requires it to refer the complaint to the Arizona Department of Child Safety (DCS) and/or law enforcement. If the complaint cannot be resolved within the same day, Department policy states the certificate of the provider subject to the complaint is required to be suspended.

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[46] AAC R6-5-5224.

[47] AAC R6-5-5224.

Table 6

The Department's divisions received and resolved complaints, grievances, and intakes of allegations from various sources in fiscal year 2024

(Unaudited)

Examples of complaints, grievances, and intakes of allegations Department receives	Complaints received and resolved in fiscal year 2024[1]
The Department's Office of Equal Opportunity is responsible for investigating and resolving complaints related to discrimination from both clients and employees, including complaints filed directly with the office and with federal agencies.	102 complaints received and 101 complaints resolved
DDD works to resolve Health Insurance Portability and Accountability Act (HIPAA) complaints for current or past DDD members, such as complaints related to protected health information being disclosed by DDD or a DDD vendor or stolen member protected health information or any other privacy violation.[2]	202 complaints received and 195 complaints resolved
DDD is responsible for investigating and resolving complaints or intakes of allegations related to DDD member services, including through its grievance process or by investigating quality-of-care concerns.	3,458 quality-of-care concern investigations completed 383 member and 57 provider grievances investigated and completed
The Department's Long-Term Care Ombudsman is responsible for investigating and attempting to resolve complaints made by or on behalf of residents of nursing homes, assisted living facilities, and adult foster care homes.[3]	3,792 complaints received and 2,986 complaints partially or fully resolved
The Department's Ombudsman is responsible for receiving, investigating, and resolving complaints or inquiries regarding the Department or its services, or referring the complainant to the appropriate client-service division's client advocate.	9,645 complaints received and 9,353 complaints resolved
DERS receives complaints related to employment services and employment-related law problems, such as work mistreatment or missing wages, and works to informally resolve the complaints by working with the complainant and employer.[4]	3,793 complaints received and 240 complaints informally resolved

Table 6 continued

Examples of complaints, grievances, and intakes of allegations Department receives	Complaints received and resolved in fiscal year 2024[1]
The Department's Office of Inspector General (OIG) is responsible for conducting internal affairs investigations involving alleged misconduct, fraud, or criminal activity by Department employees and contractors.	163 referrals received and 111 investigations completed
The Department's OIG is also responsible for investigating allegations of fraud involving recipients of public assistance and unemployment insurance, and childcare providers, as well as trafficking of SNAP benefits.	15,055 referrals received and 11,219 investigations completed
CCSD is responsible for receiving and investigating complaints against childcare home providers.	7 complaints received and resolved
APS is responsible for receiving intakes of allegations of suspected abuse, neglect, or exploitation of vulnerable adults and conducting investigations.	42,416 cases reported and 35,942 investigations completed[5]

1 Some complaints reported as received in fiscal year 2024 may have been resolved in fiscal year 2025.

2 HIPAA provides a standard for electronic transmission of certain health information and identifiers for providers, health plans, and employers, and addresses the security and privacy of health data.

3 According to A.R.S. §46-452.02, the Long-Term Care Ombudsman has the authority to refer cases involving abuse, neglect, exploitation, or health and safety to APS or the appropriate licensing agency. The Department reported that it refers these cases to APS and other agencies, such as DHS.

4 According to Department procedures, if DERS is unable to informally resolve the complaint within 5 business days for the agriculture industry or 15 business days for nonagriculture industries, it should refer the complaint to the appropriate enforcement agency, such as the Industrial Commission of Arizona or the U.S. Department of Labor. According to the Department, of the 3,553 complaints it did not informally resolve, 2,748 were referred to the appropriate enforcement agency while 805 were not because the complainant declined proceeding.

5 As reported in footnote 3 above, the Department reported that it refers Long-Term Care Ombudsman cases involving abuse, neglect, or exploitation to APS. As such, some of these reported cases may have come from the Long-Term Care Ombudsman.

Source: Auditor General staff review of the Department's website; policies and procedures; A.R.S. §§46-452, 46-452.02, and 46-454; and Department data.

According to Department data, in fiscal year 2024, it received a total of 7 complaints against certified childcare home providers, and all 7 complaints were timely investigated and resolved.[48] Specifically, 5 complaints received a site visit within 24 hours of the complaint being received and were resolved the same day because the allegations were unsubstantiated, or for the 1 that was substantiated, the provider surrendered their certificate the next day, and the complaint was closed. Two of the 7 complaints

48 The Department's complaint log for fiscal year 2024 childcare home providers showed that 10 complaints in total were received. However, 1 complaint was documented as being entered in error as the provider wanted to submit a suspension and expulsion support request form that providers use when additional resources are necessary to support a child's continued enrollment in a childcare setting; 1 complaint was a duplicate complaint in which a child's parent called again the next day; and 1 complaint was against a registered provider, which is a provider that meets certain requirements to be listed in a database of childcare providers but is not licensed, certified, or regulated in any manner by the State, and the Department has no regulatory responsibility for these providers. Therefore, there were a total of 7 complaints against certified childcare home providers in fiscal year 2024.

were against the same provider and were referred to OIG, as well as to DCS and local law enforcement because of allegations of abuse and sexual abuse. These complaints were substantiated, and the provider was suspended during the investigation and then subsequently had their certification revoked.

- **Department generally received and resolved grievances and quality-of-care concerns against home- and community-based service (HCBS) providers timely but has not updated its rules to reflect its process for receiving complaints**

  Although Department rules require it to investigate complaints against DDD HCBS providers within 10 calendar days, the Department reported this rule is outdated and no longer reflects its processes.[49] The Department stated that the majority of complaints received come in as an incident report and are processed through its quality-of-care concern-investigation process or are received and classified as a grievance, which are subject to requirements outlined in AHCCCS rules (see pages 42 through 43 for more information on incidents and quality-of-care concerns and the Department's contract with AHCCCS). As such, we reviewed Department processes for receiving and resolving quality-of-care concerns and grievances and found the Department complied with time frames required by AHCCCS.

  Specifically:

  - **Department investigated nearly all quality-of-care concerns in accordance with AHCCCS time frames in fiscal year 2024**

    AHCCCS has established 3 time frames in which the Department must investigate and resolve quality-of-care concerns depending on their severity level (see textbox, page 66, for the severity levels and time frames). We reviewed the Department's fiscal year 2024 quality-of-care concern data and found that for 11 of 15 high profile cases it investigated, the Department met the AHCCCS time frame. In 1 case, the Department exceeded the time frame by 21 days to resolve the quality-of-care concern, but Department documentation indicates it was in communication with AHCCCS throughout the investigation. For the other 3 cases, the Department exceeded the time frame from 1 to 4 days. Additionally, we found that the Department met the AHCCCS time frame for all 89 urgent quality-of-care concerns it investigated in fiscal year 2024 and met the AHCCCS time frame for all but 4 of the 3,354 nonurgent quality-of-care concerns investigated in fiscal year 2024. The Department exceeded the time frame for these 4 cases between 1 to 37 days. However, as discussed in our September 2025 performance audit of DDD, we found that the Department did not appropriately classify and subsequently investigate and resolve some reported incidents involving DDD members because its practice erroneously considered DDD-vendor-reported information when triaging incidents. Therefore, our analysis does not assess the timeliness of those incidents that should have been classified as quality-of-care concerns but were not, as they were not subsequently investigated by the Department. See Arizona Auditor General report 25-114 *A Performance Audit of the Arizona Department of Economic Security—Division of Developmental Disabilities*, Finding 1, pages 15 through 21, for more information about our finding and recommendations to address this deficiency.

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[49] AAC R6-6-1513.

Quality-of-care concern severity levels and investigation time frames

As previously discussed (see page 43), pursuant to the ALTCS contract, the Department is required to follow AHCCCS guidelines outlined in the AMPM. According to the AMPM, the Department is required to ensure quality-of-care concerns are investigated, resolved, and processed timely based on the nature and severity of the case.

The AMPM outlines 3 severity levels for quality-of-care concerns:

- **High profile**

  An initial report of immediate finding must be communicated to AHCCCS no later than 24 hours of DDD becoming aware of the quality-of-care concern, and an initial finding report must be sent within 7 business days.[1]

- **Urgent concerns**

  DDD must resolve the case within 30 calendar days from the opening date.

- **Nonurgent concerns**

  DDD must resolve the case within 60 calendar days from the opening date.

[1] The Department reported that it interprets this requirement to mean the investigation must be completed within 7 business days.

Source: Auditor General staff review of AMPM 961–Incident, Accident, and Death reporting, the AMPM contract and policy dictionary, and Department procedures.

- **Department resolved nearly all member grievances against HCBS providers in accordance with time frames in rule in fiscal year 2024**

  Pursuant to its ALTCS contract, the Department is required by AHCCCS rules to complete a disposition and provide oral or written notice to the DDD member within 90 days of receiving a grievance (see textbox for more information on grievances).[50] According to Department data, it received 383 member grievances against HCBS providers in fiscal year 2024. Only 5 took more than 90 days to resolve, ranging from 20 to 193 days over the 90-day resolution time frame.

Key term

Grievance: An expression of dissatisfaction about any matter other than an action, which could include the quality of care or services provided, and aspects of interpersonal relationships, such as a provider being rude or a DDD employee's failure to respect a DDD member's rights.[1]

[1] According to the Department's grievance-resolution reports, the Department receives grievances from members, families, providers, advocates, and other communities regarding DDD's services, operations, or programs, which could include a grievance against a provider.

Source: Auditor General staff review of AAC R9-34-202 and the Department's grievance-resolution reports.

[50] AAC R9-34-212.

The Department reported it plans to modify its outdated rule to reflect how complaints against HCBS providers are received and handled, including that it plans to request permission from the Governor's Office in September 2025 to engage in rulemaking.

Department's Ombudsman timely responded to most complaints it received in fiscal year 2024, but client service divisions' client advocates did not respond to Department Ombudsman complaints in accordance with Department-established time frames for 39% of complaints

Members of the public can submit complaints and inquiries related to the Department to the Department's Ombudsman, and these complaints and inquiries may be handled directly by the Department Ombudsman or forwarded to a client service division's client advocate (see textbox for more information about the Department Ombudsman and client advocates). Department policies and procedures require Department Ombudsman personnel to review incoming complaints and inquiries within 2 business days and either respond to the complainant and provide assistance to resolve the complaint or forward it to the appropriate client services division's client advocate for resolution. According to Department data, the Department Ombudsman responded to complainants for resolution or forwarded the complaints and inquiries to division client advocates within 2 business days, as required by Department policy, for 8,715 of 9,638, or 90%, of complaints and inquiries it received in fiscal year 2024. It took the Department Ombudsman, on average, 1.83 business days to respond to complaints and inquiries.[51]

Department Ombudsman receives and resolves complaints and inquiries from the public and may refer complaints to divisions' client advocates

The Department Ombudsman receives and resolves complaints or client inquiries that can be related to a variety of information, such as general questions about Department programs, customer service complaints, or complainants indicating that a client's benefits have not been received. According to Department Ombudsman policies and procedures, the Department Ombudsman is responsible for assisting individuals receiving services from the Department's client services divisions, investigating complaints, reporting findings, and collaborating with the divisions' client advocates. Each Department client service division has 1 or more client advocates who work to resolve complaints they receive directly within their division or forwarded from the Department Ombudsman.[1]

[1] When a client advocate receives a complaint directly, such as through email from a complainant or from other sources like the federal government or the Governor's office, the client advocates are responsible for resolving these complaints and are not required to report them to the Department Ombudsman.

Source: Auditor General staff review of Department data and policies and procedures.

[51] The Department Ombudsman received 9,645 complaints in fiscal year 2024 and either responded directly to or forwarded these complaints to client advocates. However, we could not determine if the Department Ombudsman responded or forwarded complaints timely for 7 of these complaints due to a manual data entry error in the Department's data and as such, excluded these complaints from our analysis. Further, the Department Ombudsman sent 6,072 complaints to various client service divisions' client advocates. However, we could not determine if these divisions' client advocates responded timely for 28 of these complaints due to a manual data entry error in the Department's data and as such, excluded these complaints from our analysis.

If the Department Ombudsman forwards a complaint or inquiry to a division's client advocate, Department policies and procedures require the client advocate to initiate contact with the complainant within 3 business days of receiving the complaint referral. However, according to Department data, in fiscal year 2024, the division's client advocates did not respond to the complaints and inquiries forwarded by the Department Ombudsman within 3 business days, as required by Department policy, for 2,359 of the 6,044 complaints and inquiries, or 39%. The client advocates took, on average, 5.91 business days to respond to complaints and inquiries.

Prior to the COVID-19 pandemic, the Department reported that the Department Ombudsman sent timeliness reports to divisions' leadership so they were informed of their client advocate's timeliness in responding to Ombudsman complaints and inquiries. However, this process stopped during the pandemic, which may have contributed to the client advocates not timely responding to 39% of complaints and inquiries forwarded by the Department Ombudsman or division leadership being unaware of the untimeliness. Additionally, the Department Ombudsman lacks a mechanism in its complaint-handling IT system to systematically monitor its and the client advocates' timeliness in responding to complaints and inquiries. The Department reported that it is in the process of expanding the reporting capabilities in its complaint-handling IT system to view and assess timeliness for all complaints and inquiries and reported that once it has completed doing so, it plans on resuming sending timeliness reports to division leadership.

Recommendations to the Department

28. Modify its rules to reflect its processes for receiving and investigating complaints against HCBS providers.

29. Expand the reporting capabilities in its complaint-handling IT system, such as by developing dashboards and/or reports to track and monitor whether the Department Ombudsman and client advocates are meeting required time frames for handling complaints and/or initiating contact with a complainant.

30. Develop and implement a process with associated policies and procedures to send reports to each division's leadership on the client advocates' timeliness in addressing Department Ombudsman complaints, including outlining how each division should respond when its client advocates are not meeting Department Ombudsman time frames.

Department response: As outlined in its **response**, the Department agrees with all the findings and will implement the recommendations.

Sunset factor 7: The extent to which the level of regulation exercised by the Department is appropriate as compared to other states or best practices, or both.

The Department is responsible for regulating individuals and entities in 4 areas—the Business Enterprise Program, childcare home providers, adult and child developmental home providers, and home- and community-based services providers—and we found that the level of regulation the Department exercises in these areas is consistent with regulatory practices we reviewed in 2 other states (see additional information in the Introduction, pages 4 through 5, and in Sunset Factor 3, pages 56 through 57, for more information on these 4 areas). Specifically, we assessed Arizona's level of regulation against Utah and Nevada and found the Department's level of regulation is comparable to equivalent programs and services offered in Nevada and Utah.[52]

For example, we identified the following licensure and certification requirements across the comparable programs and services in all 3 states:

- Business Enterprise Program (BEP) applicants are required to submit proof of legal blindness and U.S. citizenship, in addition to completing required trainings to receive licensure, and the facilities that BEP operators manage are subject to inspections.[53]
- Childcare home providers are required to submit proof of CPR and first aid training, as well as undergo a background check to receive certification, and licensed/certified providers are required to take annual training and are subject to onsite inspections.
- Adult and child developmental home providers are required to undergo staff training, site inspections, and criminal history records checks to receive licensure, and licensees are subject to recurring onsite inspections.
- Home- and community-based services providers are required to undergo staff training, site inspections, and background checks to receive certification.

Sunset factor 8: The extent to which the Department has established safeguards against possible conflicts of interest.

We assessed whether the Department established safeguards against possible conflicts of interest by reviewing its conflict-of-interest practices. The State's conflict-of-interest requirements exist to remove or limit the possibility of personal influence from impacting a decision of a public agency employee or public officer. However, the Department did not comply with some State conflict-of-interest requirements and had not aligned its conflict-of-interest process with some

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[52] We selected Utah and Nevada because both are peer western states with comparable programs to the Department's Business Enterprise Program (BEP), childcare home providers, home and community-based services, and adult and child developmental homes. Both Utah and Nevada have agencies similar to the Department that are responsible for regulating within these areas. However, Nevada's employment services department regulates its BEP equivalent program, and its health and human services department regulates the other 3 areas.

[53] As previously discussed in the Introduction (see page 4), the Department is responsible for licensing legally blind individuals to become entrepreneurs and own and operate merchandising businesses, such as food vending machines.

recommended practices, including using a disclosure form that did not address all statutorily required disclosures and not having a special file of substantial interest disclosures available for public inspection, as required by statute. We recommended that the Department develop and implement comprehensive conflict-of-interest policies and procedures that align with State conflict-of-interest requirements and recommended practices. See Finding 1, pages 11 through 16, for additional information and recommendations.

Sunset factor 9: The extent to which changes are necessary for the Department to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.

This performance audit and sunset review did not identify any statutory changes that are necessary to help the Department more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities.

Sunset factor 10: The extent to which the termination of the Department would significantly affect the public health, safety, or welfare.

Terminating the Department could affect the public health, safety, and welfare if its responsibilities were not transferred to another entity. As discussed in the Introduction (see pages 1 through 5), the Department's responsibilities include administering various programs and services to vulnerable children, adults, and families in Arizona, such as:

- Determining eligibility for Arizonans to receive medical insurance coverage through the State's Medicaid agency, AHCCCS.
- Administering the SNAP and TANF programs, which provide food-purchasing and cash assistance for low-income families and households.
- Providing supportive services to individuals with developmental disabilities.
- Assisting individuals who are unemployed, underemployed, or who face barriers to employment.
- Providing child support enforcement services, which help reinforce the responsibility of parents to provide financially for their children.
- Investigating reports of abuse, neglect, and exploitation of vulnerable adults through the APS program.
- Operating the State's Homeless Coordination Office that contracts with providers to provide services aimed at ending homelessness, such as emergency shelter.

The Department reported that it assists approximately 3 million Arizonans every year through its various programs and services. For example, as reported in the State of Arizona's most recent annual comprehensive financial report, an average of 910,321 and 11,354 individuals received SNAP and TANF benefits each month in fiscal year 2023, respectively.[54] Additionally, according to Department data, in fiscal year 2024, it received more than 42,400 allegations of abuse, neglect, or exploitation of vulnerable adults and completed nearly 36,000 investigations. As such, terminating the Department could impact public health, safety, and welfare given the Department's various programs and responsibilities provide services to vulnerable populations throughout Arizona.

[54] Arizona Department of Administration (ADOA). *State of Arizona—Annual comprehensive financial report, year ended June 30, 2023.*

The Arizona Auditor General makes 30 recommendations to the Department

Click on a finding, recommendation, or its page number to the right to go directly to that finding or recommendation in the report.

Recommendations to the Department

FINDING 1 — 11

1. Revise its hard copy conflict-of-interest disclosure form to require disclosures of substantial decision-making interests to help ensure employees comply with statute and include an affirmative no, consistent with recommended practices and ADOA's disclosure form. — 16

Continue to develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including requirements for:

2. Reminding employees at least annually to update their disclosure form if their circumstances change, including attesting that no conflicts exist, if applicable. — 16

3. Requiring members of public bodies to fully disclose substantial interests related to meeting agenda items, as required by statute, during public meetings and documenting these disclosures in the public bodies' meeting minutes or a signed disclosure form, including providing disclosures of any specific requirements related to the public bodies, such as those related to ADDPC. The disclosures should include the name of the person with an interest (i.e., public body member or public body member's relative), a description of the interest, and the reason the member is refraining from discussing or otherwise participating in the agenda item. — 16

4. Storing all substantial interest disclosures, including disclosure forms and meeting minutes, as applicable, in a special file available for public inspection. — 16

5. Reviewing and remediating disclosed conflicts. — 16

6. Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees and members of public bodies on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities. — 16

SUNSET FACTORS 38

Review and assess its wage audit notice process and assess whether changes can be implemented to its processes to increase employer response rates, including:

7. Reviewing its wage audit notice form to evaluate whether the verbiage or form can be revised. 54

8. Collecting, tracking, and evaluating feedback from employers when conducting outreach on unanswered wage audit notices to determine why they have not responded. 54

9. Educating employers on using its UI Program IT system to respond to wage audit notices. 54

10. Tracking and monitoring whether the changes it has implemented to its processes increase employer response rates. 54

11. Implement its fiscal year 2026 strategic plan to develop and track benchmarks and short-term goals for its existing homeless service performance measures. 54

12. Develop and implement procedures to outline its DDD triage audits. 54

13. Develop and implement a process to annually track the timeliness of APS investigators making initial contact with alleged victims, including tracking the percentage of investigations assigned to each priority level that have met priority level time frames for making initial contact and the range of time to make initial contact for investigations with untimely contact, and identifying and addressing common causes of untimely contact. 54

14. Continue to develop and implement its new cross-reporting system for APS investigations. 54

15. Continue to develop and implement improper payment reduction efforts, consistent with FNS-required corrective action plans, to reduce the State's SNAP improper payment rate and meet requirements in federal law. 54

16. Continue to implement its procedures that require Department staff from both the UI tax and UI benefit units to assess statutory changes to confirm whether it impacts their portion of the program. 54

17. Continue to implement its procedures for testing and verifying UI Program IT system changes. 54

18. Continue its efforts to address its corrective action plans with DOL and FNS to improve its appeals timeliness. 54

19. Require its Chief Information Security Officer to develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with ADOHS requirements, including outlining associated completion deadlines and assigned staff responsibilities. **54**

20. Review all Arizona@Work employee access to the UI Program IT systems and ensure access and privileges provided to these employees are appropriate. **55**

21. Work with DHS and stakeholders to reassess and examine the costs and benefits of consolidating their childcare regulatory functions and share any options to increase the efficiency and/or reduce or better manage fragmentation, overlap, and duplication identified during the analysis with relevant entities, including the Legislature, regardless of its conclusions regarding consolidation. **58**

22. If the Department determines that it would be worthwhile pursuing consolidation, it should take the next steps to move toward consolidation, including seeking the necessary approval to proceed with consolidation and working with stakeholders and the Legislature to develop and execute an implementation plan. **58**

23. Develop and implement a process to coordinate with ADOH to identify providers that receive funding from both agencies and ensure reimbursement submissions contain appropriate allocations and that the provider is not receiving reimbursement for more than 100% of its allowable costs. **58**

24. Adopt rules as required by A.R.S. §§36-568, 36-592, 46-219, and 46-452.01. **59**

Update and implement its public records policies and procedures to help it comply with the public records law and recommended practices, and reflect new processes since implementing the public records portal, including procedures and guidance for:

25. When staff should require the confidential records release form or any other relevant forms, including how long requestors should be given to provide the completed form before the request is closed. **61**

26. Providing requestors with an anticipated time frame for providing requested records, based on the Department's resources, nature of the request, content of the records, and location of the records, and notifying the requestor of any delays, as necessary. **61**

27. Finalize and implement its draft open meeting law policies and procedures. **62**

28. Modify its rules to reflect its processes for receiving and investigating complaints against HCBS providers. **68**

29. Expand the reporting capabilities in its complaint-handling IT system, such as by developing dashboards and/or reports to track and monitor whether the Department Ombudsman and client advocates are meeting required time frames for handling complaints and/or initiating contact with a complainant. **68**

30. Develop and implement a process with associated policies and procedures to send reports to each division's leadership on the client advocates' timeliness in addressing Department Ombudsman complaints, including outlining how each division should respond when its client advocates are not meeting Department Ombudsman time frames. **68**

Department provided services to clients through various programs in fiscal year 2024

As previously discussed (see Introduction, pages 1 through 5), the Department is responsible for administering various programs and services. See Table 7 below for additional information on the services it provided in fiscal year 2024.

Table 7

Department data indicates it provided services to multiple clients through its various programs in fiscal year 2024

Division of Benefits and Medical Eligibility	
Average monthly number of clients provided SNAP benefits	950,978
Average SNAP daily allotment per client	$5.90
Average monthly number of clients provided TANF benefits	11,008
Maximum monthly TANF benefit payment for a family of 3	$347
Division of Developmental Disabilities	
Average end-of-month number of clients served	54,304
Average end-of-month percent of clients living in their own home as opposed to an institution or other residential setting	89.94%
Division of Employment and Rehabilitation Services	
Number of initial claims for unemployment insurance benefits[1]	186,601
Maximum weekly unemployment insurance benefit[1]	$320
Number of clients provided employment-related vocational rehabilitation services	12,517
Division of Child Support Services	
Paternities established	26,522
Child support orders established	116,705
Child support amount collected	$293,756,815
Child support amount disbursed	$265,112,203

Table 7 continued

Division of Aging and Adult Services	
Clients served (adult services)	43,231
Adult abuse/neglect/exploitation reported cases	42,416
Adult abuse/neglect/exploitation investigations completed	35,942
Average length of investigation (days)	66
Child and Community Services Division	
Average monthly number of clients provided Arizona Early Intervention Program services	6,473
Number of clients who received emergency shelter services	34,565
Number of children who received childcare assistance	30,651
Average monthly childcare subsidy payment per child	$1,057.41
Number of eligible households that received assistance through Low-Income Home Energy Assistance Program	37,062

[1] See Arizona Auditor General report 25-101 *A Performance Audit of the Arizona Department of Economic Security—Unemployment Insurance Program* for additional information and data on the UI program.

Source: Auditor General staff review of Department's data, 2024 annual report, website, and fiscal year 2024 annual welfare reform report; and A.R.S. §23-779.

Department supports 10 public bodies

As previously discussed (see Introduction, page 6), the Department supports 10 public bodies, each of which have various purposes and membership requirements.

These public bodies include:

Appeals Board

A.R.S. §23-672 establishes the Appeals Board in the Department, and A.R.S. §§23-672 and 41-1992 outline the requirements for the Appeals Board to review petitions made by interested parties who disagree with a decision issued by a Department administrative law judge.[1] According to A.R.S. §23-672, the Appeals Board consists of 3 members appointed by the Department director, and the Department reported that all members are Department employees. The Appeals Board can meet up to 3 times per week, and according to the Department, as of February 2025, there were no vacancies.

Arizona Achieving a Better Life Experience (ABLE) Act Oversight Committee

A.R.S. §46-907(D) establishes the ABLE Act Oversight Committee in the Department to make recommendations and provide guidance for the implementation and improvement of the ABLE program, which provides tax-exempt savings accounts for blind and disabled Arizona residents to help pay for disability-related expenses. According to A.R.S. §46-907, the ABLE Act Oversight Committee consists of the Department director or designee, the Arizona State Treasurer or designee, and 5 members appointed by the Governor—1 member who has knowledge, skills, and experience in investment, asset management, or financial-related experience; 1 member who is a licensed attorney with knowledge, skills, and experience in special needs trusts and disability issues; 1 member who is an individual eligible for the ABLE program; 1 member who is a family member of an eligible individual; and 1 representative of a community-based organization that supports/advocates for individuals with disabilities. Since 2021, the ABLE Act Oversight Committee has met at least 2 times per year, and according to the April 2025 Governor's vacancies and appointments report, it had no vacancies.

Arizona Apprenticeship Advisory Committee

Executive Order No. 2013-01 establishes the Arizona Apprenticeship Advisory Committee in the Department in accordance with federal regulations.[2,3] According to the Department's website, this committee is responsible for coordinating, advising, and recommending approval of Department procedures for the registration of apprenticeship programs

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1 The Appeals Board may send the case back to the administrative law judge for further proceedings or can review the case record, take additional evidence, or rehear the case, and issue a decision that either affirms, reverses, modifies, or sets aside the administrative law judge's decision.

2 29 CFR 29.13.

3 Federal regulations require state apprenticeship agencies, such as the Department, to establish a state apprenticeship council, and A.R.S. §41-1981 requires the Department director to establish an apprenticeship advisory council but does not outline the number and composition of members or the purpose. However, Executive Order No. 2013-01 specifically names it the Apprenticeship Advisory Committee.

in skilled trades and occupations, and establishing quality thresholds for employees and employers. According to Executive Order No. 2013-01, the Arizona Apprenticeship Advisory Committee consists of 13 members. Additionally, A.R.S. §41-1981 authorizes the Department director to appoint the members. Members consist of various representatives, including from employee organizations and from business and industry. The committee meets approximately every 3 months, and according to the Department, it had 3 vacancies as of June 2025.[4]

Arizona Developmental Disabilities Advisory Council (DDAC)

A.R.S. §36-553 establishes the DDAC and outlines requirements for the DDAC to review new policies and major policy changes before DDD submits the policies or changes for public comment and to make recommendations to the Department regarding coordination and integration of services provided by developmental disability programs. A.R.S. §36-553(O) requires the Department to provide secretarial and other staff support to the DDAC. According to A.R.S. §36-553, the DDAC consists of 2 nonvoting members—the AHCCCS director or designee and the DDD assistant director—and 15 Governor-appointed voting members. Membership composition includes various individuals involved in developmental disability programs, such as 2 members with a developmental disability who receive services from DDD; parents or guardians of children who have a developmental disability; and 2 members who are contracted with DDD to deliver services to members, including a provider representing residential services and a provider representing adult day services. The DDAC meets approximately every 2 months, and according to the April 2025 Governor's vacancies and appointments report, there were 7 vacancies.[5]

Arizona Developmental Disabilities Planning Council (ADDPC)

Executive Order No. 2020-04 reauthorized the ADDPC, superseding and amending Executive Order No. 2014-09, and outlines its various responsibilities, including developing, submitting, and implementing a State plan for individuals with developmental disabilities and their families; including conducting outreach, training, technical assistance, and community support and education; and to advise the Governor, Legislature, government agencies, and the private sector on programs, policies, and concerns pertaining to services for individuals with developmental disabilities and their families.[6] The executive order states the Department must provide administration and technical support for the ADDPC. Additionally, the ADDPC has offered competitive grants targeted at filling in system gaps for people with intellectual and developmental disabilities in the State.[7] The ADDPC consists of 23 members, and according to Executive Order No. 2020-04,

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4 According to the Department, the 3 vacancies were for 1 member from business and industry, 1 member from the Arizona Department of Education, and 1 member from the U.S. Department of Labor Employment and Training Administration.

5 According to the April 2025 Governor's vacancies and appointments report, vacancies include 1 parent representative, 1 private provider representative, 2 members receiving services, 1 nonprofit advocacy representative, 1 planning council representative, and 1 foster parent representative.

6 According to the ADDPC's website, it has a 5-year plan that provides the framework for the ADDPC to choose projects, initiatives, and activities to support Arizonans with developmental disabilities, including goals and objectives.

7 According to the ADDPC's website as of July 2025, no new grant funding is available due to the uncertain budget at the federal level. The ADDPC reported that in June 2023, it approved over $355,000 in grants.

the ADDPC members are appointed by the Governor, with at least 60% of the members being either an individual with a developmental disability, a parent or guardian of a child with developmental disabilities, or immediate relatives or guardians of adults with mentally impairing or cognitive developmental disabilities who cannot advocate for themselves. The ADDPC meets approximately every 2 to 3 months, and according to the April 2025 Governor's vacancies and appointments report, it had 3 vacancies.[8]

Arizona Interagency Coordinating Council for Infants and Toddlers (ICC)

Executive Order No. 89-11 established the ICC to comply with requirements of Public Law 99-457, which amended the Individuals with Disabilities Education Act. The ICC is responsible for advising and assisting the Department with the development and implementation of a State-wide system of early intervention programs and services for infants and toddlers with or at risk of developmental delays and their families. Additionally, the ICC is responsible for assisting the Department with achieving full participation and cooperation from other State agencies that statute requires to participate in this State-wide system.[9] According to the Department, the ICC consists of 24 members. In accordance with federal law and regulations, ICC members are appointed by the Governor and include members such as parents of infants or toddlers with disabilities or children with disabilities age 12 or younger; service providers of early-intervention services; 1 member from the State Legislature; and 1 member from each State agency involved with the provision of payment for early intervention services.[10] The ICC typically meets approximately every 2 months, and according to the Department, as of July 2025, it had 7 vacancies.[11]

Arizona Governor's State Rehabilitation Council (SRC)

A.R.S. §41-1981 establishes the SRC within the Department, in accordance with federal law.[12] According to the SRC annual report, in accordance with the federal Rehabilitation Act, the SRC works with and advises the Department's Rehabilitation Services Administration, which is responsible for implementing programs that help individuals with disabilities achieve their goals for employment and independence. For example, the Rehabilitation Services Administration is responsible for providing the Vocational Rehabilitation program that helps Arizonans with disabilities prepare for, enter, and retain employment, such as providing services that include job training and job search assistance. The SRC advises the Rehabilitation Services Administration on matters relating to vocational rehabilitation eligibility and the effectiveness of services it provides. The SRC consists of 16 members, and according to federal law, members are appointed by the Governor and are composed of representatives of organizations that represent a

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8 According to the April 2025 Governor's vacancies and appointments report, vacancies include 1 representative from the Arizona Department of Education, 1 parent/guardian representative, and 1 Center of Excellence representative.

9 According to A.R.S. §41-2022, the Department, the Arizona Department of Education, the Arizona Department of Health Services, AHCCCS, and the Arizona State Schools for the Deaf and Blind must enter into 1 or more intergovernmental agreements to develop and implement a comprehensive, coordinated system of early intervention programs and services, in accordance with federal law.

10 20 U.S.C. 1441, 34 CFR 303.600, and 34 CFR 303.601.

11 According to Department staff, the following member positions are vacant: parent of child under age 6 or currently participating, parent of child under age 12, State Legislature, agency for health insurance, Office of the Coordination of Education of Homeless Children and Youth, State foster care representative, and mental health agency.

12 29 U.S.C. 725.

broad range of individuals with disabilities and organizations interested in individuals with disabilities.[13] The SRC meets approximately every 3 months, and according to the April 2025 Governor's vacancies and appointments report, it had no vacancies.

Governor's Council on Blindness and Visual Impairment (GCBVI)

Executive Order 92-15 (which superseded Executive Order 86-15) establishes the GCBVI and states that the GCBVI is located in the Office of the Governor, but the Department is responsible for providing staff and administrative support. The GCBVI's purpose is to provide a mechanism to ensure that the specialized needs of blind and visually impaired Arizonans are addressed effectively. According to Executive Order 92-15, the GCVBI consists of 20 members appointed by the Governor, which includes individuals who are blind or visually impaired or their parents/guardians and members of the general community. The GCBVI meets approximately every 3 months, and according to the April 2025 Governor's vacancies and appointments report, it had 9 vacancies.[14]

Governor's Council on Spinal and Head Injuries (GCSHI)

A.R.S. §41-3201 establishes the GCSHI in the Office of the Governor but states the Department is responsible for providing staff and administrative support. The GCSHI is responsible for reviewing and making recommendations, plans, and strategies for meeting the needs of individuals with spinal or head injuries on a State-wide basis and also developing plans for the expenditure of the Spinal and Head Injuries Trust Fund established in A.R.S. §23-3203. According to A.R.S. §41-3201, the GCSHI consists of 16 members appointed by the Governor, as well as the Department director or designee and the director of the Arizona Department of Health Services or designee. Members include parents, spouses, or guardians of individuals with a spinal or head injury; physicians; and allied health professionals or administrators of spinal or head injury programs. The GCSHI met 3 times in calendar year 2024 and is scheduled to meet 4 times in calendar year 2025. According to the April 2025 Governor's vacancies and appointments report, it had no vacancies.

Hunger Advisory Council (HAC)

A.R.S. §41-1981 establishes the HAC within the Department, and according to the HAC's bylaws, its purpose is to advise the Department director and other interested parties on matters related to the issue of food security in Arizona.[15] The HAC's bylaws indicate that it should have no more than 30 members and that membership should be representative of the needs of the people of Arizona with respect to food security, including members from each county, and that members should, to the fullest extent possible, represent a variety of perspectives, such as low-income individuals, professions, businesses, education, social services, and Native Americans. The HAC met 3 times in calendar year 2024, and as of May 2025, it had not met in calendar year 2025. According to Department staff, as of

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[13] 29 U.S.C. 725.

[14] The Governor's Notice of Vacancies and Appointments report stated there were 9 vacancies as of April 2025, which according to the Department included 2 members of the AZ Council of the Blind, 1 member of the National Federation of Blind, 3 members of Blind Veteran's associations, 1 member of Associates of Parents of the Visually Impaired, and 2 vacancies for consumers at large.

[15] A.R.S. §41-1981 does not outline the number and composition of the members or the purpose of the HAC.

January 2025, the HAC had 18 members who were appointed by the Department director pursuant to A.R.S. §41-1981. According to Department staff, as of January 2025, the HAC had no vacancies.

Scope and methodology

The Arizona Auditor General has conducted this performance audit and sunset review of the Department pursuant to a November 21, 2022, resolution of the Joint Legislative Audit Committee. The audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

We used various methods to address the audit's objectives. These methods included reviewing applicable State statutes and rules; federal laws and regulations; the Department's website, policies, procedures, guides, and annual reports; and interviewing Department staff. In addition, we used the following specific methods to meet the audit objectives:

- To assess the Department's compliance with State conflict-of-interest requirements and alignment with recommended practices, we reviewed statute and State requirements, recommended practices, and the Department's conflict-of-interest draft policy.[1,2,3] We also selected a sample of 45 of the 8,995 employees as of September 2024 to review their conflict-of-interest disclosure forms.

  Specifically, we reviewed:

  - A judgmental selection of 9 employees within Department leadership given their key responsibilities.
  - A stratified random sample of 36 employees that included:
    - 6 of 39 procurement employees given their responsibilities and involvement in procurement.
    - 3 of 2,958 DBME employees; 3 of 487 DCSS employees; and 3 of 465 DAAS employees because these divisions required their own division-specific disclosure forms.
    - 3 of 1,227 DERS employees due to its client-facing programs and 3 of 228 OIG employees due to its responsibilities in performing investigations and audits.

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1 Arizona Office of the Attorney General (AAG). (2018). *Arizona agency handbook*. Retrieved 5/22/2025 from https://www.azag.gov/office/publications/agency-handbook

2 Recommended practices we reviewed included: The World Bank, Organization for Economic Cooperation and Development (OECD), & United Nations Office on Drugs and Crime (UNODC). (2020). *Preventing and managing conflicts of interest in the public sector: Good practices guide*. Retrieved 5/22/2025 from https://www.unodc.org/documents/corruption/Publications/2020/Preventing-and-Managing-Conflicts-of-Interest-in-the-Public-Sector-Good-Practices-Guide.pdf; Ethics & Compliance Initiative (ECI). (2021). *Conflicts of interest: An ECI benchmarking group resource.* Retrieved 5/22/2025 from https://www.ethics.org/wp-content/uploads/mdocs/2021-ECI-WP-Conflicts-of-Interest-Defining-Preventing-Identifying-Addressing.pdf; and New York State Authorities Budget Office (NYS ABO). (n.d.). *Conflict of interest policy for public authorities*. Retrieved 5/22/2025 from https://www.abo.ny.gov/recommendedpractices/ConflictofInterestPolicy.pdf

3 In response to conflict-of-interest noncompliance and violations investigated in the course of our work, we have recommended several practices and actions to various school districts, State agencies, and other public entities. Our recommendations are based on recommended practices for managing conflicts of interest in government and are designed to help ensure compliance with State conflict-of-interest requirements. See, for example, Arizona Auditor General reports 24-211 *A Performance Audit of Concho Elementary School District*, 21-404 *Wickenburg Unified School District—Criminal indictment—Conflict of interest, fraudulent schemes, and forgery*, 19-505 *A Special Audit of the Arizona School Facilities Board—Building Renewal Grant Fund*, and 17-405 *Pine-Strawberry Water Improvement District—Theft and misuse of public monies.*

- 15 of 3,581 employees from other Department divisions and offices that did not have a procurement role, were not included in our judgmental selection of leadership, or selected based on having a division-specific form and/or had client facing programs.

Finally, we also judgmentally selected the Department director, who was appointed in January 2025, bringing our total to 46 Department employees we reviewed.

- To provide information in the Questions and Answers about the Parents as Paid Caregivers Program (Program) for DDD members who are minors, we reviewed:
  - AHCCCS' frequently asked questions document for the Program.
  - AHCCCS' request to CMS to temporarily pay parents of minor DDD children for direct services on April 3, 2020, and CMS' approval letter issued on April 6, 2020.
  - AHCCCS' requests to CMS to extend its temporary authority on March 8, 2021 and March 10, 2023, and CMS' approval letters issued on April 16, 2021 and March 22, 2023, respectively. Additionally, we reviewed CMS' approval letter for extending AHCCCS' temporary authority issued on October 31, 2023.
  - AHCCCS' request to CMS to establish the Program as a permanent service under ALTCS on September 27, 2023, and CMS' approval letter issued on February 16, 2024.
  - The recording of the January 29, 2025, Arizona House of Representatives Appropriations Committee meeting.
  - The State's executive budget for DDD for fiscal years 2023 through 2025.
  - Laws 2025, Ch. 93.

  Additionally, we analyzed Department data on:
  - All minor DDD members and their authorized services since fiscal year 2018.
  - The number of eligible DDD members since fiscal year 2016.
- To provide information in the Questions and Answers about the Adult Protective Services program we reviewed:
  - Arizona Auditor General report 23-114 *Examining the Delivery of Services to Vulnerable Adults in the Arizona Adult Protective Services System* conducted by LeCroy & Milligan Associates under contract with our Office.

    We subsequently contracted with LeCroy & Milligan Associates to review specific facets of the Department's intake and investigations processes, including reviewing:
    - A random sample of 272 of the 46,277 allegation intakes the Department received in calendar year 2023.
    - A random sample of 269 of 35,445 investigations the Department opened in calendar year 2023.

- Whether the Department met its time frames for initiating investigations based on priority level for all 35,428 calendar year 2023 investigations.

- Whether the Department met its performance goal of completing investigations within 60 days for all 35,350 calendar year 2023 completed investigations.

We reviewed and discussed their results with the Department.

- A judgmental sample of 12 of 272 allegation intake phone calls that our contractor reviewed to further review and assess whether the Department had followed its intake policies and procedures.

- Administration for Community Living's 2020 *National voluntary consensus guidelines for adult protective services systems*.[4]

- To assess whether the Department calculated noncustodial parent payments in accordance with State statute, we reviewed a sample of 11 of 128,911 noncustodial parents who made or should have made monthly payments in fiscal year 2024, which included 10 randomly selected from the population of 128,911 noncustodial parents and later 1 judgmentally selected from the remaining 128,901 based on stakeholder input.

- To assess whether the Department established performance measures to assess the effectiveness of its homeless services in accordance with recommended practices, we reviewed comprehensive performance measurement system recommended practices and reviewed the Department's performance measures and strategic plans.[5]

- To assess the Department's process for completing its process of auditing the work of DDD triage nurses, we reviewed Department data on its audit results by DDD triage nurse from January to November 2024 and a list of DDD triage nurses and their employment dates during calendar year 2024.

- To assess the Department's processes and efforts for reducing improper SNAP benefit payments, we reviewed U.S. Department of Agriculture Food and Nutrition Service (FNS) data and information on improper payment rates; FNS' federal fiscal year 2023 corrective action plan for the Department; and Department-provided training and performance tracking materials.

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[4] Administration for Community Living (ACL). (2020). *National voluntary consensus guidelines for adult protective services systems.* Retrieved 8/22/2025 from https://acl.gov/sites/default/files/programs/2020-05/ACL-Guidelines-2020.pdf

[5] Recommended practices we reviewed included Government Finance Officers Association (GFOA). (2018). *Best practices: performance measures*. Retrieved 6/30/2025 from https://www.gfoa.org/materials/performance-measures; Office of Management and Budget (OMB). (2018). *Performance measurement and evaluation*. Retrieved 6/30/2025 from https://www.evaluation.gov/assets/resources/Performance-Measurement-and-Evaluation.pdf; Pew-MacArthur Results First Initiative. (2018). *The role of outcome monitoring in evidence-based policymaking*. Retrieved 6/12/2025 from https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/08/the-role-of-outcome-monitoring-in-evidence-based-policymaking; U.S. Government Accountability Office (GAO). (2023). *Evidence-Based policymaking practices to help manage and assess the results of federal efforts*. Retrieved 6/30/2025 from https://www.gao.gov/assets/830/827710.pdf; Urban Institute. (n.d.). *Quantitative data analysis*. Retrieved 6/30/2025 from https://www.urban.org/research/data-methods/data-analysis/quantitative-data-analysis/performance-measurement-and-management; National State Auditors Association (NSAA). (2004). *Best practices in performance measurement: Developing performance measures*. Retrieved 6/30/2025 from https://www.nasact.org/files/News_and_Publications/White_Papers_Reports/NSAA%20Best%20Practices%20Documents/2004_Developing_Performance_Measures.pdf

- To assess the Department's processes for implementing statutory changes in the UI Program and whether it reimbursed all employers owed following 925 claimants being overpaid, we reviewed the Department's action plans for implementing Laws 2021, Ch. 412; reviewed Department reports on employers that were impacted; and reviewed benefit charge notices to confirm employers were reimbursed.

- To assess the Department's compliance with federal and State requirements for timely issuing unemployment insurance and public assistance appeal decisions, we reviewed Department data on appeal decisions issued in fiscal year 2024 and reviewed corrective action plans the Department is under with the U.S. Department of Labor and the U.S. Department of Agriculture's Food and Nutrition Service.

- To assess whether the Department provided appropriate access to UI Program IT systems to Arizona@Work Department employees, we reviewed user access lists, including privileges listed, for 3 UI Program IT systems compared to Arizona@Work employee lists as of September 2024.

- To assess the Department's process for coordinating with the Arizona Department of Housing (ADOH) for providers that receive reimbursement for similar services, we reviewed the documentation for 1 subrecipient that was identified during the State's fiscal year 2023 single audit report as having allocated costs to both the Department and ADOH.[6]

- To assess the Department's compliance with the State's public records law, we reviewed statute and recommended practices from the Arizona Ombudsman-Citizens' Aide Office and the Arizona Attorney General's *Arizona Agency Handbook* and the Department's public records policies and procedures.[7] Additionally, we reviewed a random sample of 8 of 630 closed public records requests the Department received between November 12, 2024 and January 12, 2025. We also judgmentally selected 2 of 6 open public records requests the Department received prior to the implementation of the Department's online public records portal on November 12, 2024, selecting the requests that remained open for the longest period of time.

- To assess the Department's compliance with the State's open meeting law requirements, we observed public meetings held between January 1, 2025 and February 12, 2025, for 5 of the 10 public bodies for which the Department provides support, and reviewed these meetings' notices, agendas, and minutes or video recordings.[8]

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6 Arizona Auditor General report *State of Arizona—Single audit report: Auditors' section, year ended June 30, 2023*.

7 Arizona Ombudsman-Citizens' Aide. (2024). *Arizona Public Records Law*. Retrieved 5/31/2025 from https://www.azoca.gov/wp-content/uploads/Public-Records-Law-Booklet-2023.pdf; Arizona Office of the Attorney General, 2018.

8 Starting in January 2025, we chose to observe the first 5 meetings that occurred during the year; however, we skipped 1 meeting held by Arizona ABLE Oversight Committee on February 11, 2025. Additionally, we judgmentally excluded the Appeals Board because this board meets up to 3 times each week, and the meetings are to discuss specific appeal cases.

The public meetings we observed were for the following public bodies:

- The Arizona Apprenticeship Advisory Committee.
- The Interagency Coordination Council for Infants and Toddlers.
- The Arizona Developmental Disabilities Planning Council.
- The Arizona State Rehabilitation Council.
- The Governor's Council on Spinal and Head Injuries.

- To assess the Department's timeliness in investigating and resolving complaints that are within its jurisdiction, we reviewed and assessed:
  - The investigation time frames for all 7 complaints the Department received and investigated in fiscal year 2024 against certified childcare home providers, including reviewing the suspension and revocation letter for 1 provider that was related to 2 complaints.[9]
  - The Department's compliance with time frames outlined in AHCCCS Medical Policy Manual for investigating and resolving all quality-of-care concern investigations in fiscal year 2024, using the Department's investigator-tracking spreadsheet. This included 89 urgent quality-of-care concerns, 3,354 nonurgent quality-of-care concerns, and 15 high-profile quality-of-care concerns.
  - The Department's compliance with time frames outlined in AHCCCS rules for investigating and resolving member grievances against home- and community-based services providers in fiscal year 2024. This included all 383 member grievances.
  - The Department's compliance with its policies and procedures for receiving and taking action on complaints received by the Department Ombudsman that are either handled or transferred to a client service division's client advocate. This included 9,638 complaints in fiscal year 2024.[10]

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[9] As previously discussed in Sunset Factor 6 (see footnote 48, page 64), the Department's complaint log for fiscal year 2024 childcare home providers showed that 10 complaints in total were received. However, 1 complaint was documented as being entered in error as the provider wanted to submit a suspension and expulsion support request form that is used by providers when additional resources are necessary to support a child's continued enrollment in a childcare setting; 1 complaint was a duplicate complaint in which a child's parent called again the next day; and 1 complaint was against a registered provider, which is a provider that meets certain requirements to be listed in a database of childcare providers but is not licensed, certified, or regulated in any manner by the State, and the Department has no regulatory responsibility for these providers. Therefore, there were a total of 7 complaints against certified childcare home providers in fiscal year 2024.

[10] As previously discussed in Sunset Factor 6 (see footnote 51, page 67), in fiscal year 2024, the Department Ombudsman received 9,645 complaints and either responded directly to or forwarded these complaints to client services divisions' client advocates to resolve. However, due to a manual data entry error in the Department's data, we could not determine if the Department Ombudsman responded or forwarded complaints timely for 7 of these complaints, and as such, excluded these complaints from our analysis.

- To compare the Department's level of regulation of individuals and entities in 4 regulatory areas, we compared Arizona against Utah and Nevada.[11] The 4 areas we compared included the Business Enterprise Program, childcare home providers, adult and child developmental homes, and home- and community-based services providers.

- To obtain additional information for the Sunset Factors, we reviewed Department statutes that require rules and then reviewed the Department's corresponding rules; reviewed Department rulemakings completed between January through October 2020; and reviewed Department data on complaints, inquiries, grievances, and intakes of allegations in fiscal year 2024.

- To obtain additional information for the Introduction, we reviewed Department-prepared information regarding staffing and vacancies. In addition, we compiled and analyzed unaudited information from the Arizona Financial Information System/AZ360 *Accounting Event Transaction File* and the State of Arizona annual financial reports for fiscal years 2023 and 2024, and Department-prepared estimates for fiscal year 2025.

Our work on internal controls, including information system controls, included, where applicable, reviewing the Department's policies and procedures and testing Department compliance with these policies and procedures, and assessing compliance with State statutes. We reported on our conclusions on applicable internal controls in Finding 1, and Sunset Factors 2, 5, and 6.

We selected our audit sample(s) to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

When relying on Department-provided data to support our findings and conclusions, we performed certain tests to ensure the data was sufficiently valid, reliable, and complete to meet the audit objectives. Unless otherwise noted, we determined the Department-provided data was sufficiently valid, reliable, and complete for audit purposes.

We conducted this performance audit and sunset review 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.

We express our appreciation to Director Wisehart and Department staff for their cooperation and assistance throughout the audit.

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[11] We selected Utah and Nevada because both are peer western states with comparable programs to the Department's Business Enterprise Program (BEP), childcare home providers, home- and community-based services, and adult and child developmental homes. Both Utah and Nevada have agencies similar to the Department that are responsible for regulating within these areas. However, Nevada's employment services department regulates its BEP equivalent program, and its health and human services department regulates the other 3 areas.

The subsequent pages were written by the Department to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations resulting from the audit conducted by the Arizona Auditor General.

Katie Hobbs
Governor

ARIZONA
DEPARTMENT OF
ECONOMIC SECURITY

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, Sunset Factors, Sunset Review

Dear Ms. Perry:

The Arizona Department of Economic Security (DES/Department) has conducted a thorough review of the Auditor General's report and will be implementing the recommendations as documented in the attachment.

The Department is dedicated to cultivating a culture of excellence, accountability, and innovation. Commitment to continuous improvement is integral to DES operations, guiding the refinement of internal processes and the enhancement of service quality. The Department will continue evaluating performance, soliciting feedback, and implementing modifications that advance the 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 Kathy Ber, Director of Public Affairs, at 602-542-4669 or kber@azdes.gov.

Sincerely,

Michael Wisehart
Director

Attachment

Finding 1: Department did not comply with some State conflict-of-interest requirements, increasing risk that employees and members of public bodies had not disclosed substantial interests that might influence or could affect their official conduct.

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

Recommendation 1: Revise its hard copy conflict-of-interest disclosure form to require disclosures of substantial decision-making interests to help ensure employees comply with statute and include an affirmative no, consistent with recommended practices and ADOA's disclosure form.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will implement a conflict-of-interest policy that includes a requirement to disclose substantial decision-making interests to help ensure employees comply with statute. This requirement will be an annual affirmation to disclose conflicts of interest and secondary employment that might conflict with the Department and require the employee to provide an affirmative yes or no answer.

Recommendation 2: Continue to develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including requirements for reminding employees at least annually to update their disclosure form if their circumstances change, including attesting that no conflicts exist, if applicable.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will implement a conflict-of-interest policy that includes a requirement for employees to update their disclosure form if circumstances change, and a reminder annually to complete new forms regardless if their circumstances have changed.

Recommendation 3: Continue to develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including requirements for requiring members of public bodies to fully disclose substantial interests related to meeting agenda items, as required by statute, during public meetings and documenting these disclosures in the public bodies' meeting minutes or a signed disclosure form, including providing disclosures of any specific requirements related to the public bodies, such as those related to ADDPC. The disclosures should include the name of the person with an interest (i.e., public body member or public body member's relative), a description of the interest, and the reason the member is refraining from discussing or otherwise participating in the agenda item.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will implement a conflict-of-interest policy that includes a requirement for members of public bodies to fully disclose substantial interests related to meeting agenda items during public meetings and documenting these disclosures in the public bodies' meeting minutes or a signed disclosure form, including providing disclosures of any specific requirements related to the public bodies.

Recommendation 4: Continue to develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including requirements for storing all substantial interest disclosures, including disclosure forms and meeting minutes, as applicable, in a special file available for public inspection.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will store all substantial conflict-of-interest forms in a special file available for public inspection. This includes storage of substantial interest disclosures, including disclosure forms and meeting minutes.

Recommendation 5: Continue to develop and implement conflict-of-interest policies and procedures to help ensure compliance with State conflict-of-interest requirements and alignment with recommended practices, including requirements for reviewing and remediating disclosed conflicts.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will implement a conflict-of-interest policy that includes a requirement for reviewing and remediating disclosed conflicts.

Recommendation 6: Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to all employees and members of public bodies on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will develop training on its conflict-of-interest requirements, process, and disclosure form. The Department will provide this training to all employees and members of public bodies.

Sunset factor 2: The Department's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

Department requested information from employers that helped it identify more than $1.2 million in UI Program overpayments in calendar year 2023 but has not assessed why many employers do not respond to its requests to help improve its overpayment identification.

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

Response explanation: In accordance with the Improper Payment Information Act of 2019, the United States Department of Labor (U.S. DOL) requires Unemployment Insurance (UI) programs to sustain an improper payment rate below 10 percent. Through integrity activities, such as the wage audit notice process, the Department has successfully maintained an average Improper Payment Rate of less than 6 percent since State Fiscal Year 2022.

In Calendar Year 2023, employers responded less frequently to information requests associated with the Quarterly Wage Audits (30 percent response rate) than to Weekly National and State Directory of New Hires crossmatches (70 percent response rate).

- Quarterly Wage Audits: Information used for the Quarterly Wage Audits is from two quarters prior, over four months old, given statutory reporting deadlines for employers. When an employer receives an audit information request, the individual may no longer be employed with their company, and/or the employer is receiving multiple wage audits, for multiple individuals, at one time. Responding to quarterly wage audits is administratively burdensome for employers to provide archived employment records.

- Weekly National and State Directory of New Hires: Information used for the National and State Directory of New Hires is produced weekly. The earnings information is more timely, which allows for employers to more readily respond with current information.

Federal and state law does not require employers to respond to quarterly wage audits in a specified period of time.

Recommendation 7: Review and assess its wage audit notice process and assess whether changes can be implemented to its processes to increase employer response rates, including reviewing its wage audit notice form to evaluate whether the verbiage or form can be revised.

Department response: The audit recommendation will be implemented.

Response explanation: There is no existing federal or state requirement that mandates an employer's response to a wage audit. However, the Department will review the wage audit notice language to determine, if appropriate, any possible revisions to encourage a higher response rate.

Recommendation 8: Review and assess its wage audit notice process and assess whether changes can be implemented to its processes to increase employer response rates, including collecting, tracking, and evaluating feedback from employers when conducting outreach on unanswered wage audit notices to determine why they have not responded.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department is aware of why most employers and their third party administrators (TPA) do not respond to a quarterly wage audit.

Responding to quarterly wage audits is administratively burdensome on employers and/or their TPAs if they need to unarchive employment records and potentially complete multiple audit questionnaires. Oftentimes, these individuals are no longer employed by their employers.

In comparison to the new hire audit process, the Department receives state and federal new hire data for cross-matching weekly, which allows new hire audits within a week of the match being received. In this situation, employers or their TPAs have employment

files readily available to complete and respond to the wage audit notice. It is also more likely that the individual is still employed with them and they are more apt to investigate and respond quickly, to help detect and prevent fraud.

There is a process in place for the Department, when contacting employers as part of the wage audit investigation process, to notify employers if they have outstanding wage audit notices due back to the Department. This helps to increase an employer or TPA overall response rate.

Recommendation 9: Review and assess its wage audit notice process and assess whether changes can be implemented to its processes to increase employer response rates, including educating employers on using its UI Program IT system to respond to wage audit notices.

Department response: The audit recommendation will be implemented.

Response explanation: The Department created educational YouTube videos to instruct employers on how to respond to a wage audit notice in CACTUS (UI Program Information Technology (IT) System) and through SIDES. The educational videos were posted on the CACTUS site on September 5, 2025.

Recommendation 10: Review and assess its wage audit notice process and assess whether changes can be implemented to its processes to increase employer response rates, including tracking and monitoring whether the changes it has implemented to its processes increase employer response rates.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: There is a process in place for the Department, when contacting employers as part of the wage audit investigation process, to notify employers if they have outstanding wage audit notices due back to the Department. This helps to increase an employer or TPA overall response rate. The Department will assess whether there are resources available and value in implementing changes to the process to increase employer response rates to wage audits, whether it be via paper or electronically in the UI Program IT system, which may include tracking and analyzing an employer's response when contacted by the Department.

Department has established homeless service performance measures that include some outcomes and long-term goals, but lacks benchmarks or short-term goals related to these measures, which could help it better assess and improve the effectiveness of its homeless services State-wide.

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

Response explanation: The Department will clarify short-term goals and benchmarks that align with performance measures.

Recommendation 11: Implement its fiscal year 2026 strategic plan to develop and track benchmarks and short-term goals for its existing homeless service performance measures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will develop and track benchmarks for existing homeless service system performance measures.

Department developed a process and requirements to audit work performed by DDD triage nurses, which could help it monitor and provide DDD triage nurses with feedback and guidance to ensure incidents are appropriately triaged, but Department lacked a documented procedure for its process and did not always complete the audits.

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

Response explanation: The Department does have a defined performance management system for Triage leadership to audit the work performed by the Triage Nurses and used this in a pilot project.

Recommendation 12: Develop and implement procedures to outline its DDD triage audits.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will implement standard work to define the audit process and oversight of the work performed by the Triage Nurse to make the pilot permanent.

Department has developed processes to help ensure APS investigations are timely and consistently initiated and completed, but can further improve its tracking of initial contact with alleged victims and is in the process of improving its cross reporting to other entities involved in protecting vulnerable adults.

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

Response explanation: As demonstrated in the report, Adult Protective Services (APS) continually seeks out opportunities to innovate its investigatory and protective services processes. Timely initial contact with alleged victims and cross reporting are important to APS and the Department appreciates the discussion contained in the report.

Recommendation 13: Develop and implement a process to annually track the timeliness of APS investigators making initial contact with alleged victims, including tracking the percentage of investigations assigned to each priority level that have met priority level time frames for making initial contact and the range of time to make initial contact for investigations with untimely contact, and identifying and addressing common causes of untimely contact.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has begun taking steps to implement this recommendation.

Recommendation 14: Continue to develop and implement its new cross-reporting function for APS investigations.

Department response: The audit recommendation will be implemented.

Response explanation: As indicated in the report, APS has proactively automated cross-reporting to two key system partners and is exploring opportunities to expand that automation.

Department has taken steps to implement federal corrective action plans to reduce improper Supplemental Nutrition Assistance Program (SNAP) benefit payments.

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

Response explanation: The Department is operating under an approved Food and Nutrition Service (FNS) corrective action plan to reduce the Supplemental Nutrition Assistance Program (SNAP) improper payment rate.

Recommendation 15: Continue to develop and implement improper payment reduction efforts, consistent with FNS-required corrective action plans, to reduce the State's SNAP improper payment rate and meet requirements in federal law.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's corrective action plan outlines the activities the Department will take to reduce improper SNAP benefit payments. This plan is regularly reviewed for progress by FNS.

Department did not update its UI Program IT system to reflect statutory eligibility changes resulting in $2.4 million in overpayments that the Department waived and thus did not recover.

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

Response explanation: Laws 2021, Chapter 412 included six different material sections affecting the administration of the UI Benefit and UI tax programs. Provisions under five of the sections were successfully implemented by their associated effective dates. The Department notes that during the implementation process, the analysis of provisions resulted in an unidentified but required change to the UI benefits system. Once identified, the Department prioritized the necessary change to system coding, and the change was implemented in December 2023. Any resulting overpayment was categorized as 'administrative' and the debt was waived in accordance with federal and state law.

Recommendation 16: Continue to implement its procedures that require Department staff from both the UI tax and UI benefit units to assess statutory changes to confirm whether it impacts their portion of the program.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented written standard work for the analysis of legislative measures for implementation. The standard work, which has been shared with the Auditor General's Office, provides an integrated and more comprehensive review process.

Department did not timely reimburse all employers impacted by overpayments caused by Department errors until our audit.

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

Response explanation: The Department acknowledges it did not effectuate the reimbursement owed to impacted employers. Although business requirements were drafted to process reimbursements owed to impacted employers, the ad-hoc system processing of the business requirements was not completed. The Department has since developed and implemented procedures to validate system processing.

Recommendation 17: Continue to implement its procedures for testing and verifying UI Program IT system changes.

Department response: The audit recommendation will be implemented.

Response explanation: In June 2025, the Department developed and implemented procedures to validate system processing.

Department did not timely resolve unemployment insurance and public assistance appeals in accordance with federal or State requirements, which could impact claimants'/clients' ability to resolve issues with receiving benefits.

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

Response explanation: The Department reports the timeliness of appeals to the appropriate agency as mandated by federal regulation. The data collected and reported during this time period show that the timeliness of appeals did not meet the requirements outlined in the regulations.

Recommendation 18: Continue its efforts to address its corrective action plans with DOL and FNS to improve its appeals timeliness.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will engage with federal and state partners to continue to address backlog and case age issues outlined in corrective action plans with the intent of improving appeals timeliness. The Department is committed to leveraging all available resources, including technology and personnel, as well as continually improving both the effectiveness and efficiency of the appellate process.

Department has not implemented our previous recommendations to develop State-required IT policies and procedures.

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

Response explanation: The Department has an ongoing commitment to safeguarding our systems and sensitive data. We have experienced several years of challenges with a dedicated technical policy role which has now been successfully established to address IT policies as of March 2025. Between March and June 2025, all IT policies underwent a

revision and / or rewrite to the current Arizona Department of Homeland Security (ADOHS) published standards. In addition, a bi-annual review process will be used commencing to include a risk assessment across the agency; findings to be prioritized for policy updates. Following successful publication of the updated policies and standards currently anticipated for October 2025, the Department will rewrite or create procedures for each of the published policies and standards.

Recommendation 19: Require its Chief Information Security Officer to develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with ADOHS requirements, including outlining associated completion deadlines and assigned staff responsibilities.

Department response: The audit recommendation will be implemented.

Response explanation: The Department Chief Information Security Officer will develop a written plan that addresses how the agency will adhere to ADOHS requirements. The plan will include associated timelines and staff assignments. The plan will be developed and reviewed with the Chief Information Officer by November 30, 2025 and annually thereafter.

Department determined that Department employees at Arizona@Work offices should have read-only access to some UI Program IT systems, but users have privileges greater than read-only.

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

Response explanation: To better assist unemployment claimants, some ARIZONA@WORK staff have access to the UI Program IT systems. The Department recognizes that certain staff members had differing access than read-only. The Department will revise permissions to align with business requirements.

Recommendation 20: Review all Arizona@Work employee access to the UI Program IT systems and ensure access and privileges provided to these employees are appropriate.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will review and revise permissions to align with business requirements. The process in which system access is requested and authorized will also be revised to ensure system access is aligned with business requirements.

Sunset factor 3: The extent to which the Department's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

Although the Department is responsible for regulating childcare home providers and DHS regulates childcare group homes and childcare centers, both have regulatory responsibilities that may have overlap.

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

Response explanation: The Department and DHS both have statutory responsibilities for regulating child care facilities and programs. The Department agrees to the benefits of conducting an analysis to review opportunities for increasing efficiency and reducing duplication between the two agencies.

Recommendation 21: Work with DHS and stakeholders to reassess and examine the costs and benefits of consolidating their childcare regulatory functions and share any options to increase the efficiency and/or reduce or better manage fragmentation, overlap, and duplication identified during the analysis with relevant entities, including the Legislature, regardless of its conclusions regarding consolidation.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will work with DHS to assess the costs and benefits of consolidating child care regulatory functions and share any options to increase efficiency and/or reduce or better manage fragmentation, overlap, and duplication.

Recommendation 22: If the Department determines that it would be worthwhile pursuing consolidation, it should take the next steps to move toward consolidation, including seeking the necessary approval to proceed with consolidation and working with stakeholders and the Legislature to develop and execute an implementation plan.

Department response: The audit recommendation will be implemented.

Response explanation: Upon completion of the shared analysis between the Department and DHS and examination of the costs and benefits of consolidating child care regulatory functions with stakeholders, if consolidation of any child care regulatory functions would be beneficial, the Department will work toward the next steps for development of a plan.

Department has not established a process to jointly monitor homeless service providers with the Arizona Department of Housing (ADOH), which could allow providers to receive reimbursement from both agencies for the same services.

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

Response explanation: The Department will engage with the Arizona Department of Housing to explore joint monitoring and other risk mitigation strategies when both agencies contract with the same organization for similar services.

Recommendation 23: Develop and implement a process to coordinate with ADOH to identify providers that receive funding from both agencies and ensure reimbursement submissions contain appropriate allocations and that the provider is not receiving reimbursement for more than 100% of its allowable costs.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will develop and implement processes that coordinate with the Arizona Department of Housing to identify providers that receive funding from both agencies and provide payment safeguards.

Sunset factor 4: The extent to which rules adopted by the Department are consistent with the legislative mandate.

Department has not developed rules required by 4 statutes.

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

Response explanation: The Department is aware of its statutory obligations and is engaged in the rulemaking process for A.R.S. §§36-568, 36-592, 46-219, and 46-452.01.

Recommendation 24: Adopt rules as required by A.R.S. §§36-568, 36-592, 46-219, and 46-452.01.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will adopt rules as required by A.R.S. §§36-568, 36-592, 46-219, and 46-452.01.

Sunset factor 5: The extent to which the Department has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

Department improperly denied 2 public records requests before requesting additional information from a requestor; has not updated its policies and procedures to outline new processes; and could further enhance its public records policies and procedures to align with recommended practices.

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

Response explanation: The Department acknowledges the opportunities identified.

Recommendation 25: Update and implement its public records policies and procedures to help it comply with the public records law and recommended practices, and reflect new processes since implementing the public records portal, including procedures and guidance for when staff should require the confidential records release form or any other relevant forms, including how long requestors should be given to provide the completed form before the request is closed.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will update and implement public records policies and procedures for processing public record requests, to include procedures for processing a request in the DES Records Request Portal, and guidance on when to request additional information and the time frame to allow the requestor to provide such information.

Recommendation 26: Update and implement its public records policies and procedures to help it comply with the public records law and recommended practices, and reflect new processes since implementing the public records portal, including procedures and guidance for providing requestors with an anticipated time frame for providing requested records,

based on the Department's resources, nature of the request, content of the records, and location of the records, and notifying the requestor of any delays, as necessary.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will update and implement its public records policies and procedures to help it comply with the public records law and recommended practices, and will create static messaging providing requestors with an anticipated time frame for providing requested records as appropriate.

Department and the public bodies it supports did not list the meetings' location in the minutes for 2 meetings we observed, as required by statute.

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

Response explanation: The Department reviewed the minutes of the two meetings and agrees that the minutes did not include the meeting locations.

Recommendation 27: Finalize and implement its draft open meeting law policies and procedures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will finalize and implement updates to the Open Meeting Law policy and procedures.

Sunset factor 6: The extent to which the Department timely investigated and resolved complaints that are within its jurisdiction.

Department generally received and resolved grievances and quality-of-care concerns against home- and community-based service (HCBS) providers timely but has not updated its rules to reflect its process for receiving complaints.

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

Response explanation: The Department has received and resolved complaints timely but has not yet updated its rules to reflect the updated process for receiving complaints.

Recommendation 28: Modify its rules to reflect its processes for receiving and investigating complaints against HCBS providers.

Department response: The audit recommendation will be implemented.

Response explanation: The Department intends to engage in rulemaking to accurately reflect the current process for receiving and investigating complaints against HCBS providers.

Department's Ombudsman timely responded to most complaints it received in fiscal year 2024, but the client service division's client advocates did not respond to

Department Ombudsman complaints in accordance with Department-established time frames for 39% of complaints.

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

Response explanation: See response explanations for recommendations 25 and 26.

Recommendation 29: Expand the reporting capabilities in its complaint- handling IT system, such as by developing dashboards and/or reports to track and monitor whether the Department Ombudsman and client advocates are meeting required time frames for handling complaints and/or initiating contact with a complainant.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will work to expand system reporting capabilities to ensure timely resolution of complaints.The current reporting functionality identifies the status and disposition of each logged complaint. The Department will work to ensure all complaints are logged and assigned to a liaison within two business days of receipt.

Recommendation 30: Develop and implement a process with associated policies and procedures to send reports to each division's leadership on the client advocates' timeliness in addressing Department Ombudsman complaints, including outlining how each division should respond when its client advocates are not meeting Department Ombudsman time frames.

Department response: The audit recommendation will be implemented.

Response explanation: With the implementation of new software tracking and monitoring, the Department will now have regular reports available to distribute to divisional leadership around timeliness and the total number of complaints received. The report includes a breakdown of the number of complaints by division/program, the complaint categories, and the top complaints across all programs.