Katie Hobbs
Governor

ARIZONA
DEPARTMENT OF
ECONOMIC SECURITY

Michael Wisehart
Director

July 21, 2026

George J. Skiles
Partner
Sjoberg Evashenk Consulting
455 Capitol Mall, Suite #700
Sacramento, CA 95814

RE: Auditor General's Report, Division of Developmental Disabilities, Parents as Paid Caregivers Performance Audit

Dear Mr. Skiles:

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

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

The Department acknowledges and appreciates the diligence and collaboration demonstrated by the staff of the Office of the Auditor General and Sjoberg Evashenk Consulting throughout the Parents as Paid Caregivers Performance Audit.

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

Sincerely,

Michael Wisehart
Director

Attachment

Chapter 2:

Despite attendant care and habilitation costs increasing by $371 million in 2 years, of which approximately $130 million would have been subject to the State General fund match, and the Department seeking 2 supplemental appropriations to address budget shortfalls, AHCCCS and the Department had not fully implemented required cost-control measures for PPCG, risking additional cost increases and shortfalls.

Department response: The finding is agreed to.

Response explanation: The Department acknowledges that implementation of the new standardized assessment tool occurred between October 1 and October 16, 2025 and was then suspended as directed by AHCCCS. The Department implemented all other measures as required in House Bill 2945. The Department will implement the updated Home and Community Based Services (HCBS) Needs Tool (HNT) and Extraordinary Care Review (ECR) policies once finalized and directed by AHCCCS.

Following assessment, members are authorized for services that are medically necessary. The amount of authorized hours remains the same regardless of who provides the service. Members have the right to select their preferred provider—whether a Direct Support Professional (DSP) or a parent—with no impact on the overall cost of the service. The Fiscal Year 2025 supplemental budget request was needed because the original state budget estimated member growth at 3.8% and capitation rate growth of 4.5%; actual member growth was 5.7% and capitation rate growth was 9.2%. In instances like this, the Division needs to request supplemental funding to ensure all services can continue to be paid. The Department received sufficient supplemental funding for FY 2026 in the final amount appropriated of $82,818,700 through Laws 2026, Chapter 126 (SB 1847).

Recommendation 1: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments for parent-provided care ordinarily performed by parents for same-age children without disabilities.

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

Response explanation: The Division of Developmental Disabilities, through a contract with AHCCCS, is a Managed Care Organization (MCO) that offers health care coverage to members who are eligible for the Arizona Long Term Care System (ALTCS). As such, DDD must follow the contract requirements, policies, and rules set by AHCCCS. The Department stands ready to implement the HNT/ECR process when it is finalized and directed by AHCCCS. With the new tool, hours for parent-provided care ordinarily performed by parents for same-age children without disabilities will not be assessed and authorized, which means payments will not occur for this type of care.

Recommendation 2: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing parents from being paid for more than 40 hours of care per child per week.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department respectfully disagrees with the finding that this requirement and subsequent monitoring and compliance processes have not been developed and implemented. The Department implemented a *Parents as Paid Caregivers Service Model Acknowledgement of Understanding and Agreement for Follow Service Model Requirements* form

(DDD-2368A), which is required to be reviewed and signed by all PPCGs prior to providing services and receiving payment. This form addresses requirements for adhering to the 40-hour weekly limit.

In May 2025, DDD's Provider Network Support (PNS) team began developing weekly data to identify Qualified Vendors (QVs) that had PPCGs working over 40 hours or working for more than one QV. With the available data, PNS contacted QVs through emails and phone calls to require compliance plans to address any noncompliance with HB2945 requirements. These outreach activities included technical assistance to answer any questions and ensure compliance plans were submitted. Technical assistance is a Division-initiated intervention action designed to correct noncompliance.

As the report noted, QVs do not all follow the same 7-day week for billing and claims submission, including payroll for QV employees. DDD must review to determine whether identified violations are truly violations and not a difference in calculated work weeks. PNS obtained information from QVs regarding alternate work schedules that may fall outside of the Sunday through Saturday review period DDD utilizes when reviewing EVV reports. This helped identify discrepancies between true noncompliance (i.e., 40-hour violations) and variations in QVs' work weeks and staff schedules.

Again, this compliance plan monitoring has been in place since May 2025, with the exception of October 2025 when AHCCCS implemented its own EVV aggregator. The Department established and executed initial processes to monitor compliance of QVAs. DDD continues to enhance PPCG reporting as data continues to become available and more reliable. Corrective Action Plans (CAPs) have been issued to QVs with identified violations starting in April 2026. To date, the Division has sent over 200 CAPS and approximately 10% of CAPs have been rescinded due to work week and billing calendar differences that inaccurately showed as violationsQVs who do not address CAPs and continue to be non-compliant are elevated to DDD's Contract Action Unit. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining these monitoring mechanisms to enhance oversight.

Recommendation 3: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments to parents who have not resided in Arizona for at least 6 months, including requiring eligibility review that includes a review of documentation proving 6 months residency, such as government issued identification, lease or mortgage statements, utility bills, etc., before designating any parent as eligible to serve as paid caregivers. In doing so, it should reassess all parents who self-attested compliance with residency requirements beginning with parents paid for services beginning July 1, 2025.

Department response: The audit recommendation will not be implemented.

Response explanation: Following assessment, members are authorized for services that are medically necessary. The amount of authorized hours remains the same regardless of who provides the service. Members have the right to select their preferred provider—whether a Direct Support Professional (DSP) or a parent—with no impact on the overall cost of the service. The Department implemented a *Parents as Paid Caregivers Service Model Acknowledgement of Understanding and Agreement for Follow Service Model Requirements* form (DDD-2368A), which is required to be reviewed and signed by all PPCGs prior to providing services and receiving payment. This form requires parents participating in the PPCG service model to confirm their understanding that they must be an Arizona resident for at least 6 months prior to participating in the PPCG service model and to enter the month, date, year since which they have resided in the State of Arizona. This form also includes the understanding that at any time the parent may be

asked to provide proof of residency. Failure to provide such proof may result in a fraud referral to the Office of the Inspector General and/or the Attorney General's Office.

As part of the initial eligibility process, DDD requires documentation proving Arizona residency (e.g., state ID, rent or mortgage bill showing address). Once an individual is determined eligible as a DDD member, they then go through the ALTCS eligibility process. Once granted ALTCS eligibility (which is the only DDD eligibility category approved to receive the PPCG-provided services), a Support Coordinator schedules an initial meeting with the member. Subsequently the assessment may be completed. Given the process described above, which already verifies residency, combined with the Acknowledgement of Understanding form confirming 6 months of residency, the Division considers the current verification controls sufficient and believes allocating additional resources to a third layer of review would not be cost-effective.

Recommendation 4: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment for parent-provided services between 10:00 p.m. and 6:00 a.m., subject to a Person-Centered Service Plan.

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

Response explanation: The Department implemented a *Parents as Paid Caregivers Service Model Acknowledgement of Understanding and Agreement for Follow Service Model Requirements* form (DDD-2368A) on 10/1/2025, which is required to be reviewed and signed by all PPCGs prior to providing services and receiving payment. This form addresses the requirement that services are not to be provided during overnight hours in accordance with A.R.S. § 36-2970.02. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining its monitoring and enforcement mechanisms to enhance oversight.

Recommendation 5: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment when the child is not in the home, including when the child is at school, being homeschooled, in inpatient care, or in a clinical setting.

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

Response explanation: As part of the planning process, Support Coordinators complete a daily schedule with the planning team and responsible person. This helps identify the flow of a child's day but also times they are engaged in other service delivery systems. Parents that home school and don't receive any public funding provide the Support Coordinator information about when they teach the required core subjects each day/week. Additionally, AHCCCS Policy 1240 A states: "The attendant care and the personal care services shall not be authorized by the Contractor or Tribal ALTCS while the member is engaging in, participating in, or receiving provided privately or publicly funded K-12 educational services, programs or grants." This means that a Support Coordinator may not assess for Attendant Care or hourly Habilitation services during these times. DDD is also in the process of procuring data analytics software to enhance the Department's monitoring and enforcement efforts.

Chapter 3: AHCCCS and the Department did not initiate action to enforce the 40-hour limit on parent-provided paid care until April 2026 despite State law requiring this beginning July 2025, contributing to the Department inappropriately overpaying some parents.

Department response: The finding is not agreed to.

Response explanation: The Department respectfully disagrees with the finding that no action was taken to enforce the policy limiting parent-provided paid care to 40 hours. Following assessment, members are authorized for services that are medically necessary. The amount of authorized hours remains the same regardless of who provides the service. Members have the right to select their preferred provider—whether a Direct Support Professional (DSP) or a parent—with no impact on the overall cost of the service.

As outlined above, in May 2025, DDD's Provider Network Support (PNS) team began developing weekly data to identify Qualified Vendors that had PPCGs working over 40 hours or working for more than one Qualified Vendor. With the available data, PNS contacted Qualified Vendors through emails and phone calls to require compliance plans to address any noncompliance with HB2945 requirements. These outreach activities included technical assistance to answer any questions and ensure compliance plans were submitted. Technical assistance is a Division-initiated intervention action designed to correct noncompliance.

Again, this compliance plan monitoring has been in place since May 2025, with the exception of October 2025 when AHCCCS implemented its own EVV aggregator. The Department established and executed initial processes to monitor compliance of QVAs. DDD continues to enhance PPCG reporting as data continues to become available and more reliable. Corrective Action Plans (CAPs) have been issued to Qualified Vendors with identified violations starting in April 2026. To date, the Division has sent over 200 CAPS and approximately 10% of CAPs have been rescinded due to work week and billing calendar differences that inaccurately showed as violations.Qualified Vendors who do not address CAPs and continue to be non-compliant are elevated to DDD's Contract Action Unit. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining these monitoring mechanisms to enhance oversight.

Recommendation 6: Develop, document, and implement a formal and routine system to monitor parent-member hours to identify providers/vendors that are not complying with the 40-hour weekly limit.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department respectfully disagrees with the finding that this requirement and subsequent monitoring and enforcement processes have not been implemented, as described above. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining these monitoring mechanisms to enhance oversight.

Recommendation 7: Require corrective action plans from contracted vendors that exceed the 40-hour weekly limit and track whether corrective actions are implemented.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department respectfully disagrees with the finding that this requirement and subsequent monitoring processes have not been implemented, as described above. The Department is already issuing Corrective Action Plans (CAPs) to Qualified Vendors with identified violations. To date, the Division has sent over 200 CAPS and approximately 10% of CAPs have been rescinded due to work week and billing calendar differences that inaccurately showed as violations.Qualified Vendors who do not address CAPs and continue to be non-compliant are elevated to DDD's Contract Action Unit.

Recommendation 8: Develop and implement procedures to identify, review, and recover past overpayments resulting from parent-provided paid care that exceeded the 40-hour weekly limit, beginning June 30, 2025, through current, including those we identified.

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

Response explanation: The Department has updated the standard work to include how to elevate Vendor non-compliance or sustained compliance for further review and other actions, including referral to the Contract Actions Unit. DDD is also in the process of procuring data analytics software to enhance the Department's monitoring and enforcement efforts.

Recommendation 9: Coordinate with AHCCCS to share monitoring results and support AHCCCS' oversight and review processes.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will share monitoring results with AHCCCS.

Chapter 5: Department did not maintain some assessment records we reviewed as required by State law, which could result in unsupported service authorizations and impair oversight of payments.

Department response: The finding is agreed to.

Response explanation: The Department readied and trained over 1,200 team members to utilize the new assessment tool and to reassess each member under the age of 18 who received attendant care or habilitation services. During the new assessment implementation period (October 1-16, 2025) the Department assessed over 2,500 members and was then subsequently directed to pause reassessments. The Department communicated the pause to its Support Coordinators and implemented a methodology to revert all authorizations based on the new tool to pre-10/1/2025 levels. The Department agrees with the importance of maintaining assessments and case file documentation for members. The auditors used a narrow sample of 57 assessments which cannot be projected to reflect our overall compliance rate. However, the Department views this as an opportunity for continuous improvement, and will be implementing additional, mandatory training for all relevant staff regarding these specific documentation requirements in alignment with the updated HNT implementation.

Recommendation 10: Establish an off-boarding process to ensure support coordinators finish and upload assessments prior to leaving the agency or moving into a different position within the agency.

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

Response explanation: DDD Policy 1620-D requires a full copy of the Planning Document upon initial development and upon updates to be provided and a copy maintained in the case file within 10 calendar days. The Planning Document includes all supplemental documents (e.g., the HNT). The Planning Document and supplemental documents are accessed and completed through SimpliGov, which enables Support Coordinators to complete workflows for each member assigned to their caseloads and track documentation progress in the system. If signed in SimpliGov, the documents are automatically uploaded to OnBase. The Support Coordinator must also update the person's case file, utilizing the *Post-Meeting Case File Update Checklist*, which includes the requirement to upload the planning document and all associated supplemental documents into OnBase if not completed in SimpliGov (Procedure SC-100). The Department is

committed to strengthening its separation protocols. Support Coordination will review and update relevant off-boarding procedures as necessary.

Recommendation 11: Revise and implement procedures to ensure all assessments performed are recorded and maintained in member records in a timely manner, and that supervisory review procedures ensure proper record keeping.

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

Response explanation: The Department's Program Improvement Unit completes regular case file reviews. This includes reviewing the assessment of Activities of Daily Living consistent with the details of the members functional abilities listed in the member profile section, MLOC, HCBS Member Needs Tool and the H-NAT; documentation regarding assessment of the member's paid and unpaid caregiver resources; and, whether the HCBS Needs Assessment Tool is in OnBase. HNT assessments are an emphasis for case file reviews for members who live at home and receive services.

Recommendation 12: Consider developing and implementing system functionality that automatically flag cases with missing records or files.

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

Response explanation: Included in the Division's strategic plan is a system-wide objective to use technological innovation to improve program efficiency and effectiveness. The Department is actively developing current PDF forms into SimpliGov, which once completed, will automatically upload into OnBase for retention.

Chapter 6: Department did not ensure the accuracy of some member assessments we reviewed used to authorize services, which could result in incorrect payments, potential waste, and service authorizations that do not match members' needs

Department response: The finding is agreed to.

Response explanation: During October 1 to October 16, 2025, the Department conducted over 2,500 new assessments, and the auditors used a narrow sample of 57 assessments which cannot fully reflect our overall compliance rate. However, the Department views this as an opportunity for continuous improvement. The Department will be implementing additional, mandatory training for all relevant staff regarding these specific documentation requirements in alignment with the updated HNT rollout, which will include signature requirements. Additionally, the Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations.

Recommendation 13: Revise and implement data quality assurance review procedures to ensure that assessed hours are accurately calculated, consistently recorded, and properly reflected in the system before service authorizations are finalized

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

Response explanation: When the Division's IT staff update the HNT, approximately 50 Support Coordination staff are expected to conduct testing. Any issues identified through testing will be

corrected prior to implementation. Additionally, the Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations. The Department's Program Improvement Unit also completes regular case file reviews, as described above.

Recommendation 14: Consult with AHCCCS to clarify the purpose and intent of support coordinator signatures on assessment forms.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will consult with AHCCCS.

Recommendation 15: Implement training for support coordinators to promote consistency and accuracy in completing assessment records, including proper categorization of service hours and required signatures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will be implementing additional, mandatory training for all relevant staff regarding these specific documentation requirements in alignment with the updated HNT rollout.

Recommendation 16: Ensure, as part of the Department's Program Improvement Unit's case file reviews, the review of completed assessments to identify and correct mathematical errors, missing signatures, and inconsistencies between assessment documentation and authorized service hours.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department's Program Improvement Unit completes regular case file reviews, as described above. Program Improvement Specialists already review services assessed compared to the service plan, whether all service amounts (hours) are accurately documented, and reviews if files are located in OnBase as appropriate. Additionally, the Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations.

Recommendation 17: Consider developing and implementing automated tools to supplement the Program Improvement Unit's manual review process to better ensure more timely identification of missing documents or errors in case file records.

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

Response explanation: Included in the Division's strategic plan is a system-wide objective to use technological innovation to improve program efficiency and effectiveness. The Department will review use cases for different technologies.

Recommendation 18: Periodically review the results of these reviews to identify recurring errors or training needs and use the results to strengthen oversight of the assessment process.

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

Response explanation: The Department's Program Improvement Unit completes regular case file reviews, which are already used for tracking and trending of training topics.

Recommendation 19: Implement system controls within the revised standardized assessment tool, such as locked formulas and validation checks, to reduce the risk that technical errors result in miscalculated service hours.

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

Response explanation: When the Division's IT staff update the HNT, approximately 50 Support Coordination staff are expected to conduct testing. Any issues identified through testing will be corrected prior to implementation.

Recommendation 20: Work with the FOCUS system developer to create a weekly approved-hours field that aligns with the revised standardized assessment tool's weekly calculations, reduces the need for manual calculations when recording approved hours, and helps prevent miscalculations or inconsistent recording.

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

Response explanation: The Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations. Additionally, when the Division's IT staff update the HNT, approximately 50 Support Coordination staff are expected to conduct testing. Any issues identified through testing will be corrected prior to implementation.