

Arizona Department of Economic Security

Contract Oversight of Area Agencies on Aging

Initial Followup of Performance Audit Report 25-115

The September 2025 Arizona Department of Economic Security performance audit was the third of 4 audit reports we issued as part of the Department's Sunset Review.¹ Our September 2025 performance audit on the Department's contract oversight of Area Agencies on Aging (AAA) found that the Department did not conduct on-site monitoring reviews every 3 years for 5 of 8 AAAs consistent with its State Plan to determine contract compliance, thereby not helping to ensure client well-being and appropriate use of public monies. We made **3** recommendations to the Department.

Department's status in implementing 3 recommendations

Implementation status		Number of recommendations
 In process		2 recommendations
 In process in a different manner		1 recommendation

We will conduct an 18-month followup with the Department on the status of the recommendations that have not yet been implemented.

¹ The first audit assessed the Department's provision of customer service for accessing its Unemployment Insurance Program in calendar year 2023. The second 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. The fourth audit assessed whether the Department complied with the State's conflict-of-interest requirements and provided responses to the 10 statutory sunset factors. For more information on these audits, including any applicable followup reports, see reports 25-101, 25-114, and 25-116.

Recommendations to the Department

Finding 1: Department did not conduct on-site monitoring reviews every 3 years for 5 of the 8 AAAs consistent with its State Plan to determine contract compliance, thereby not helping to ensure client well-being and appropriate use of public monies.

- 1. Conduct on-site monitoring reviews of each AAA every 3 years consistent with its State Plan.
 - ▶ Status: **Implementation in process.**

Since the September 2025 audit and as of April 2026, the Department conducted on-site monitoring reviews of 2 AAAs and initiated 1 other review and therefore has made progress toward conducting the monitoring reviews of each AAA at least once every 3 years, consistent with its State Plan. As shown in Table 1 below, the Department is overdue by 11 months and 1 year, 4 months, for conducting on-site monitoring for 2 of the 8 AAAs as of April 2026. Additionally, 3 of 8 AAAs are due for their on-site monitoring review between October 2026 and May 2027—regions 3, 5, and 7. We will continue to assess the Department’s implementation of this recommendation during our next

Table 1
Department is overdue by 11 months and 1 year and 4 months for conducting on-site monitoring for 2 of the 8 AAAs as of April 2026

Region and AAA Name	Date of most recent on-site monitoring review	Overdue by:
Region 1: AAA	May 2022	11 months
Region 2: PCOA	December 2021	1 year, 4 months
Region 3: NACOG	February 2024	Not overdue
Region 4: WACOG	September 2025	Not overdue
Region 5: CAA	October 2023	Not overdue
Region 6: SEAGO	January 2026	Not overdue
Region 7: Navajo DALTCS	May 2024	Not overdue
Region 8: ITCA	April 2026	Not overdue

Source: Auditor General staff review of the Department’s most recent AAA on-site monitoring review reports and initiation emails and Arizona Auditor General report 25-115 *A Performance Audit of the Arizona Department of Economic Security—Contract Oversight of Area Agencies on Aging*.

followup.

2. Adhere to or accelerate the review time frames in the federal fiscal years 2026 and 2027 on-site monitoring review schedule to ensure the monitoring reviews of the 5 AAAs that are overdue are conducted in order of most overdue to least overdue as planned, and the on-site monitoring reviews of the 3 AAAs that were not overdue as of August 2025 do not become overdue.

► Status: **Implementation in process in a different manner.**

The Department modified its on-site monitoring review schedule that it developed during the audit for federal fiscal years 2026 and 2027 that no longer has the monitoring reviews of the 5 AAAs that were overdue as of August 2025 being conducted in order of most overdue to least overdue. Specifically, the Department developed an updated on-site monitoring review timeline in April 2026 to conduct on-site monitoring of all 8 AAAs within 2 years. As discussed in recommendation 1, as of April 2026, the Department conducted 2 on-site monitoring reviews and initiated 1 more. The Department completed region 4's review first, which was the most overdue, but then conducted region 6 before initiating region 8, despite region 8 being more overdue as of August 2025. Additionally, the Department's on-site monitoring review schedule has the 2 overdue AAAs being reviewed after a AAA that is not yet overdue. As a result, these 2 AAAs will become more overdue, but the 1 AAA will have its next monitoring review completed within 3 years, as required by its State Plan.

The Department reported that it needed to modify its previous on-site monitoring review schedule for various reasons. For example, 1 AAA required an amendment to its contract, so its on-site monitoring review was delayed to ensure the change was incorporated. Additionally, another AAA had a new CEO. Finally, the Department reported that it faced significant turnover in its contracts-monitoring team and developed a new deputy policy administrator position. As such, the Department determined additional time was needed for the new staff and leaders prior to conducting some of the other reviews. We will further assess the Department's implementation of and adherence to its new on-site monitoring review schedule during our next followup.

3. Develop and implement a formal process for verifying the AAA's efforts to implement the Department's recommendations from on-site monitoring reviews.

► Status: **Implementation in process.**

The Department has developed and started to implement a process for verifying the AAA's efforts to implement the Department's recommendations from on-site monitoring reviews. Specifically, the Department has a template report of findings in which it documents the findings and recommendations from its review, and it requires the AAAs to develop a corrective improvement plan. The corrective improvement plan requires the AAAs to identify the root cause of the findings; action steps for resolving the issue, including what will be done, by whom, and when; the responsible individuals and a target completion date; and how and when the corrective improvements will be verified. The template also requires the Department to review and provide the AAA with feedback on the improvement plan. For the 2 on-site monitoring reviews completed

in September 2025 and January 2026, the Department received documentation from the AAAs with the improvement plans to help it verify some of the changes being implemented. Additionally, the Department implemented quarterly meetings with the AAAs following the on-site monitoring review, which it reported it uses to verify the AAAs' efforts in addressing the findings and recommendations. For example, the Department provided us with documentation to show it has a quarterly recurring meeting scheduled with region 4. We will assess the Department's continued implementation of this recommendation during our next followup.