ARIZONA Auditor General
Making a Positive Difference

Arizona Department of Economic Security

Division of Developmental Disabilities

Initial Followup of Performance Audit Report 25-114

The September 2025 Arizona Department of Economic Security (Department) performance audit was the second of 4 audit reports we issued as part of the Department's Sunset Review.[1] Our September 2025 performance audit on the Department's Division of Developmental Disabilities (DDD) found that the Department 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. We made **12** recommendations to the Department and **4** recommendations to the Arizona Health Care Cost Containment System (AHCCCS).

Department's status in implementing 12 recommendations

Implementation status	Number of recommendations
Implemented	5 recommendations
In process	7 recommendations

[1] The first audit assessed the Department's provision of customer service for accessing its Unemployment Insurance Program in calendar year 2023. The third audit assessed whether the Department provided sufficient oversight of Arizona's 8 Area Agencies on Aging, consistent with the Department's State Plan. 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, 25-115, and 25-116.

AHCCCS' status in implementing 4 recommendations

Implementation status	Number of recommendations
☑ Implemented	2 recommendations
☑ Implemented in a different manner	2 recommendations

We will conduct another followup with the Department in calendar year 2027 on the status of the recommendations that have not yet been fully implemented.

Recommendations to the Department

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

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

- Status: **Implementation in process.**

  The Department has nearly doubled the percentage of incidents it classified as quality-of-care concerns compared to what we observed during the audit, but it has continued to not classify some incidents as quality-of-care concerns that AHCCCS indicated should have been. Specifically, as reported in our September 2025 performance audit, in calendar year 2024, the Department classified approximately 8% of all reported incidents as quality-of-care concerns. In comparison, according to AHCCCS' data, during the 6-month period following the issuance of our audit, from October 6, 2025 through March 2, 2026, the Department classified approximately 15% of all reported incidents as quality-of-care concerns. However, AHCCCS' biweekly assessment of a sample of the Department's incident classifications between October 2025 and March 2026 identified some incidents that were not appropriately classified as quality-of-care concerns.[2] Specifically, AHCCCS found that the Department did not appropriately classify 11 of 61 incidents it reviewed, or 18%, as quality-of-care concerns, including incidents involving medication errors.[3] To help address these issues, AHCCCS provided training to Department staff in February 2026 that included additional guidance specifically related to when medication errors require a quality-of-care concern

[2] According to AHCCCS' procedures, its staff are required to perform biweekly reviews of a sample of 5 to 10 incidents that the Department did not classify as quality-of-care concerns (see recommendation 3 for AHCCCS, page 9, for more information on these reviews).

[3] According to AHCCCS policy, an incident involving any aspect of care or treatment that could have caused or exacerbated a medical or psychiatric condition, such as a medication error, should be classified as a quality-of-care concern.

investigation (see recommendation 1 for AHCCCS, page 8, for more information on the training AHCCCS provided). We will further assess the Department's implementation of this recommendation during our next followup.

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

- Status: **Implementation in process.**

  In December 2025, the Department and AHCCCS met to discuss whether the Department should perform a risk-based review of prior incidents that the Department did not determine were quality-of-care concerns. In July 2026, AHCCCS requested that the Department reassess reported incidents from January 2025 through January 2026 that involved medication errors that were not classified as quality-of-care concerns, designate these incidents as quality-of-care concerns as appropriate, conduct an investigation, and then provide the results of the investigation to AHCCCS by October 2026.[4] The Department reported in September 2026 that it was in the process of performing this review and would complete it by the October 2026 deadline. We will further assess the Department's completion and results of this review during our next followup.

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

- Status: **Implemented at 6 months.**

  During our September 2025 performance audit, DDD vendors were required to submit incidents to the Department, and the Department was then required to submit these reported incidents to AHCCCS; however, the Department did not submit all reported incidents and instead was generally submitting only those incidents it classified as quality-of-care concerns. According to the Department and AHCCCS, in November 2025, the Department began requiring all DDD vendors to submit their reportable incidents directly to AHCCCS, and the Department updated its policy in January 2026 to reflect this new requirement. Prior to implementing this requirement, the Department and AHCCCS also collaborated to hold 2 training sessions in October 2025 to provide information to and answer questions from DDD vendors about this requirement and process. As part of this process, the Department now receives copies of the vendor-reported incidents from AHCCCS to review and determine if they are quality-of-care concerns. The Department may also submit incidents directly to AHCCCS that it becomes aware of.

  According to AHCCCS' data, 20,625 incidents were submitted to AHCCCS from October 2025 through April 2026, including 16,452 incidents submitted by DDD vendors

[4] According to AHCCCS, it selected the January 2025 to January 2026 time frame because it would require the Department to perform a comprehensive review but would also contain recent information to hold the Department accountable. AHCCCS also reported that it expected the Department would be appropriately triaging medication-error incidents after January 2026 based on our audit findings and technical assistance provided by AHCCCS.

and 4,173 incidents submitted by the Department. Additionally, the Department uses its own separate triage tracker to track and document its triage classifications for all incidents that are submitted to AHCCCS, which includes the incidents DDD vendors and the Department submitted. The Department also uses this triage tracker to track other incidents that are not required to be submitted to AHCCCS, such as incidents related to DDD members who are not members of the Arizona Long Term Care System. Our review and comparison of AHCCCS' data to the Department's triage tracker for the same time frame identified 515 incidents that were in the Department's triage tracker that were not in AHCCCS' data. Our review of a random sample of 5 of the 515 incidents found that all 5 were either not reported to AHCCCS for an allowable reason or were submitted to AHCCCS under a different incident number. Specifically, the Department provided documentation to support that:

- 3 incidents were related to DDD members who were not members of the Arizona Long Term Care System. Therefore, the Department was not required to submit these incidents to AHCCCS.
- 2 incidents had been reentered into AHCCCS' data system with different incident numbers that were located within the AHCCCS data. Specifically, according to AHCCCS, 1 incident was inadvertently deactivated in its system and was reentered under a new incident number. Additionally, the other incident was entered incorrectly by Department staff and reentered under a new incident number.

Additionally, AHCCCS has started tracking and monitoring the number of incidents the Department submits over time and the number and percentage of how many have been converted to a quality-of-care concern. According to AHCCCS, this allows it to identify patterns over time and identify the need for any targeted follow up.

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

4. Follow up with DDD vendors the day after their corrective action plan (CAP) remediation response is due if no response has been received, as required by Department procedures.

▶ Status: **Implemented at 6 months.**

Our review of all 7 quality-of-care concerns the Department investigated between October 2025 and May 2026 for which the Department did not receive a CAP remediation response from the DDD vendor by the due date found that the Department followed up with 6 of the 7 vendors the day after their CAP remediation response was due, as required by Department procedures. For the remaining vendor, the Department followed up 2 days after the CAP remediation response was due and reported that it provided coaching to the assigned staff member regarding its procedures.

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

- Status: **Implemented at 6 months.**

  Our review of all 54 quality-of-care concerns with substantiated allegation(s) classified as level 3 or 4 in the Department's quality-of-care investigations tracker (DDD district tracker) between October 2025 and April 2026 found that the Department conducted the required followup visit within 30 days of approving the DDD vendors' CAP remediation responses for 49 of 54 quality-of-care concern investigations, or approximately 91%.[5,6] The remaining 5 followup visits exceeded the 30-day time frame by between 1 and 11 days. According to notes in the Department's DDD district tracker, most of these followup visits were untimely due to factors outside of the Department's control, such as DDD vendor staff and member(s) not being at the group home when Department staff arrived to complete the followup visit. In another case, the Department staff member was out due to illness on the date the followup visit was due and scheduled to be completed.

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

- Status: **Implemented at 6 months.**

  As discussed in our September 2025 performance audit, the Department hired an administrative assistant in July 2025 to perform administrative tasks that had been assigned to DDD investigative nurses. According to the position description, the administrative assistant is responsible for various tasks, including sending routine communications to DDD vendors, such as sending corrective action plan letters and investigation closure letters to DDD vendors. For example, we reviewed 5 emails that the administrative assistant sent between December 2025 and March 2026 to DDD vendors, including 4 initial emails requesting and 1 email accepting the DDD vendor's CAP remediation response. Further, the Department's updated procedures outline various administrative tasks that can be assigned to administrative assistants, such as creating and sending CAP remediation acceptance letters to DDD vendors and saving the CAP remediation responses received to the DDD member's internal file to be reviewed by an investigative nurse.

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5 As discussed in our September 2025 performance audit, DDD district nurses use the DDD district tracker for monitoring all quality-of-care concern investigations, including whether allegations were substantiated, the classification level, the date the CAP remediation response was accepted, and the date onsite followup visits were completed.

6 In accordance with AHCCCS policy, each substantiated allegation(s) is assigned a severity level from 1 to 4. Level 3 substantiated allegations involve a quality issue with significant adverse effects on the DDD member that is dangerous and/or life-threatening. Level 4 substantiated allegations involve a quality issue with significant adverse effects on the member that also have the potential to cause harm to other members.

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

- Status: **Implementation in process.**

  The Department finalized the procedures related to its pilot project in December 2025 to require DDD investigative nurses to review CAP remediation responses within 14 business days of receipt to determine whether the Department should accept the response or request additional documentation from the DDD vendor. Our review of a random sample of 15 of 139 quality-of-care concern investigations that resulted in a CAP between January 2026 and April 2026 found the DDD investigative nurses did not review 3 of 15 CAP remediation responses, or 20%, within 14 business days. Specifically, the DDD investigative nurses took either 23 or 24 business days to review the 3 CAP remediation responses. According to the Department, 1 review was untimely because the DDD investigative nurse originally assigned to conduct the review resigned and the DDD investigative nurse reassigned to the case missed the deadline. For the other 2 cases, the Department reported that the DDD investigative nurses missed the deadline because of isolated oversight issues but the Department stated these nurses received coaching. According to the Department's procedures, the DDD investigative nurse supervisors are required to monitor and audit the Department's tracker to ensure compliance with the 14-business day requirement. The Department reported the DDD investigative nurse supervisors are performing these audits, but the audits are not documented in a specific tool. As such, we will further assess the Department's implementation of its procedures, including observing the supervisor audits, during our next followup.

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

- Status: **Implemented at 6 months.**

  The Department finalized its revised procedures in March 2026 for conducting its 30-day followup visits that require its DDD districts to track and schedule on-site visits within 30 calendar days of the CAP remediation response being accepted. Our observation in July 2026 of a DDD district manager who oversees multiple DDD district supervisors found that the manager's and supervisors' processes for tracking and monitoring using the DDD district tracker aligned with Department procedures. Specifically, the manager and their supervisors monitor the tracker for quality-of-care concerns with approaching deadlines for the followup visit and confirmed the assigned DDD district nurse had scheduled the followup visit. Additionally, according to the manager, DDD district nurses are expected to add details about the followup visit to the DDD district tracker the morning after the followup visit is completed and to inform their supervisors once the followup visit is complete, which aligns with Department procedures. We reviewed 3 emails that DDD district nurses sent to their supervisors between February and August 2026 and found that the DDD district nurses informed

their supervisor that the followup visits were complete. Further, based on our review of the DDD district tracker as of April 2026, we found that completed followup visits had the key details documented, including the date the followup visit was completed.

Develop and implement procedures for handling DDD vendors that do not implement or sustain required corrective actions, including:

9. Identifying who DDD district nurses should inform if corrective actions have not been implemented and/or sustained.

- Status: **Implementation in process.**

  The Department revised its procedures in March 2026 for conducting its 30-day followup visits to address noncompliance with required corrective actions. Specifically, according to the procedures, if noncompliance with required corrective actions is identified during a 30-day followup visit, the DDD district nurse must send the DDD vendor the results of the visit, which identifies the continued noncompliance, and then must conduct a 60-day followup visit. If the noncompliance has continued, the DDD district nurse is required to again send the DDD vendor the results of the 60-day visit and must conduct a 90-day followup visit. If the DDD vendor is still noncompliant or has not sustained corrective actions after the 90-day visit, Department procedures require the DDD district nurse to refer the case to DDD leadership for further review. The procedures outline possible consequences for noncompliant DDD vendors, such as referral to the Department's contract action unit for further contract actions, including up to contract termination. We will assess the Department's implementation of its procedures during our next followup.

10. Assigning responsibility for reviewing inspection reports involving corrective actions that have not been implemented/sustained.

- Status: **Implementation in process.**

  See explanation for recommendation 9.

11. Outlining any further actions that should be taken when followup visits identify continued noncompliance, such as conducting additional monitoring and/or recommending the vendor be subject to additional enforcement actions.

- Status: **Implementation in process.**

  See explanation for recommendation 9.

12. Providing guidance and outlining responsibility for who should send warning emails to vendors that remain out of compliance and when cases should be elevated to DDD leadership.

- Status: **Implementation in process.**

  See explanation for recommendation 9.

Recommendations to AHCCCS

Finding 1: Although AHCCCS has conducted some oversight of the Department, it did not adequately oversee the Department's assessment and triage of quality-of-care concerns to ensure the Department classified, investigated, and resolved incidents in accordance with policy.

1. Provide training and additional guidance to the Department to ensure it understands AHCCCS policy requirements related to classifying and investigating quality-of-care concerns, including providing the Department with its review of incident classifications from our sample.

- Status: **Implemented at 6 months.**

  Our September 2025 performance audit found specific concerns with the Department's classification of medication error incidents as quality-of-care concerns. Specifically, during the audit, we reviewed incident reports from calendar year 2024 that the Department classified as "medication errors with appropriate intervention" for the vendors from our sample with similar incidents that the Department inappropriately triaged. According to Department data we had reviewed, the Department did not elevate any of the 121 incident reports it received alleging medication errors at 2 vendors in calendar year 2024 to quality-of-care concerns and thus did not subsequently investigate and ensure the resolution of these incidents.

  Since the audit, AHCCCS has provided training and additional guidance to the Department to ensure it understands AHCCCS policy requirements related to classifying and investigating quality-of-care concerns. Specifically, in February 2026, AHCCCS provided training to the Department on triaging medication error incidents and provided guidance on when these incidents require a quality-of-care concern investigation. Training documentation also indicated that AHCCCS presented its review of incident classifications from our audit sample, which it provided to the Department after the training. Additionally, AHCCCS' chief medical officer provided additional guidance to DDD's chief medical officer on classifying and investigating quality-of-care concerns. Finally, AHCCCS provided a training in February 2026 to all its contractors, including the Department, on AHCCCS' policies and provided further guidance on and examples of medication errors that should be investigated as quality-of-care concerns.

2. Ensure the Department provides all incidents, including both quality-of-care and non-quality-of-care incidents, as required by AHCCCS policy.

- Status: **Implemented at 6 months.**

  See explanation for recommendation 3 for the Department (see pages 3 through 4).

3. Ensure its weekly review sample includes incidents that the Department did not classify as quality-of-care concerns, as required by AHCCCS policy.

- Status: **Implemented in a different manner at 6 months.**

  In addition to reviewing a weekly sample of incidents that the Department classifies as qualify-of-care concerns, AHCCCS revised its procedures in March 2026 to conduct biweekly reviews of a sample of 5 to 10 incidents that the Department did not classify as quality-of-care concerns. These reviews are required to assess the Department's incident triage rationale and compliance with AHCCCS policy. AHCCCS initially reviewed a weekly sample of incidents that the Department did not classify as quality-of-care concerns but reported that it modified its process after determining a biweekly review of these incidents was more appropriate. According to AHCCCS, it made this determination based on workload and staffing resources and because doing a biweekly review allows time for the Department to address and resolve issues that it identifies during its review.

  Our review of AHCCCS' biweekly reviews from October 2025 to March 2026 found that AHCCCS' review process aligned with its procedures. Specifically, AHCCCS reviewed at least 5 incidents biweekly for a total of 61 incidents the Department did not classify as quality-of-care concerns. As discussed in recommendation 1 for the Department (see pages 2 through 3), AHCCCS found that the Department did not appropriately classify 11 of the 61 incidents it reviewed as quality-of-care concerns.

4. Ensure operational reviews include analysis of Department's policies and procedures compared to AHCCCS requirements and expectations.

- Status: **Implemented in a different manner at 6 months.**

  AHCCCS completed its most recent operational review of the Department in October 2024 and reported that the next operational review will occur in calendar year 2027. However, AHCCCS completed a separate review in March 2026 of the Department's policies and procedures that it reported is completed annually, in which it compared the Department's policies and procedures for compliance with AHCCCS requirements. AHCCCS' review found that the Department's policies and procedures were compliant with all applicable AHCCCS requirements.