

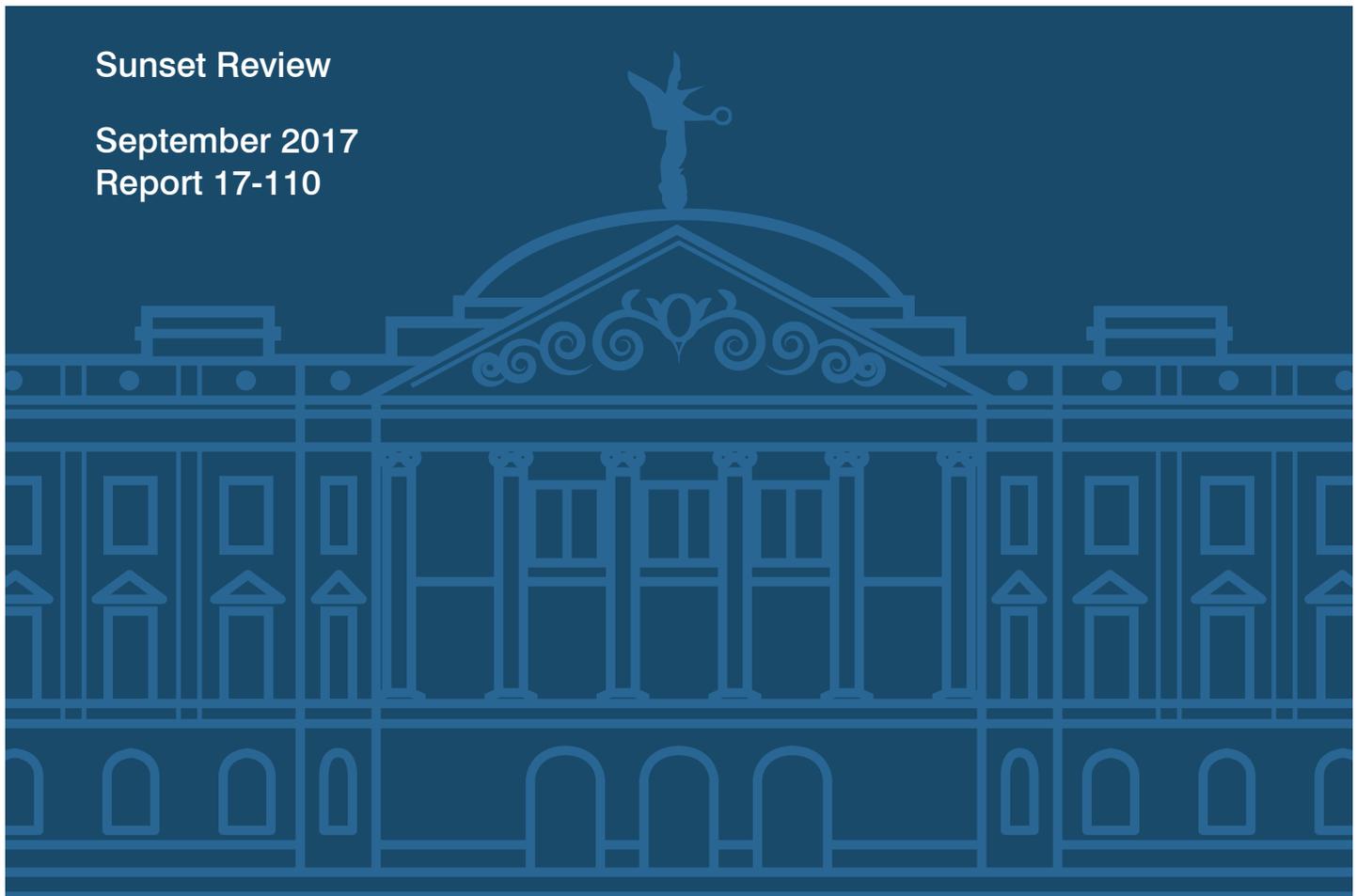
Arizona Department of Economic Security

Sunset Factors

Sunset Review

September 2017

Report 17-110



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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September 19, 2017

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Mr. Michael Traylor, Director
Arizona Department of Economic Security

Transmitted herewith is a report of the Auditor General, *A Sunset Review of the Arizona Department of Economic Security*. This report is in response to an October 22, 2014, resolution of the Joint Legislative Audit Committee and was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.

As outlined in its response, the Arizona Department of Economic Security plans to implement all of the recommendations.

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

Sincerely,

Debbie Davenport
Auditor General

Attachment





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Scope and objectives

The Office of the Auditor General has conducted a sunset review of the Arizona Department of Economic Security (Department) using the criteria in Arizona's sunset law. This sunset review was conducted pursuant to an October 22, 2014, resolution of the Joint Legislative Audit Committee and prepared as part of the sunset review process prescribed in Arizona Revised Statutes (A.R.S.) §41-2951 et seq. This report includes responses to the statutory sunset factors specified in A.R.S. §41-2954 and is the final in a series of five reports on the Department. The first report addressed the Department's processes for managing its Vocational Rehabilitation Services Program's rehabilitation service costs and clients' progress, while the second report examined the Department's child care provider monitoring and complaint-handling processes. The third report focused on the effectiveness of department processes for safeguarding its information technology systems and the data contained in them. The fourth report addressed qualification requirements for the contracted agencies the Department uses to train and monitor developmental home licensees who provide a residential setting for individuals with developmental disabilities, and the Department's oversight of these contracted agencies.

Mission and purpose

The Department's mission is to make Arizona stronger by helping Arizonans reach their potential through temporary assistance for those in need, and care for the vulnerable. 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.¹ The State Department of Mental Retardation was also eliminated and transferred to the Department in 1974.² 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 services to the public. In 2014, the Legislature created the new Arizona Department of Child Safety, which assumed the Department's child welfare and child protective services functions.³

Services, organization, and staffing

The Department provides a variety of human services through more than 40 different programs, such as vocational rehabilitation and adult protective services, and has grouped these services under five client service divisions. As of July 2017, the Department reported serving approximately 3 million Arizonans. Additionally, the Department had 7,529.5 filled full-time equivalent (FTE) positions as of May 2017. The responsibilities and staffing of the Department's five client service divisions are as follows:

- **Division of Aging and Adult Services (DAAS)—221 filled FTE**—DAAS serves at-risk and older adults with an emphasis on delivering assistive services to those with the greatest social and economic needs. For example, DAAS coordinates or contracts for services for this population that include emergency and energy-related assistance, food distribution information for the hungry, and home- and community-based

¹ A.R.S. §§41-1952(A) and 41-1953(E)(F).

² A.R.S. §41-1953(E)(F).

³ A.R.S. §8-451.

services such as home-delivered meals, transportation, and adult day healthcare. It also administers the State Health Insurance Assistance Program that assists Arizona's Medicare beneficiaries in understanding and accessing the healthcare benefits to which they are entitled. Additionally, DAAS provides services to qualifying refugees; adults and their children experiencing domestic violence; and people who are, or are in danger of becoming, homeless. DAAS also operates the State's Adult Protective Services (APS) program. The APS receives, evaluates, and investigates allegations of abuse, neglect, or exploitation of vulnerable or incapacitated adults, including persons living in nursing homes or other care facilities. See Table 1, page 4, for additional information on DAAS clients and services for fiscal year 2016 and July through December 2016.

- **Division of Benefits and Medical Eligibility (DBME)—2,681.5 filled FTE**—DBME assists low-income families with temporary cash and/or nutrition assistance and determines eligibility to receive medical benefits from the Arizona Health Care Cost Containment System (AHCCCS).⁴ Through the Temporary Assistance for Needy Families (TANF) cash assistance program, DBME provides temporary cash benefits and support services to low-income families while the recipients seek employment. Eligible adults may receive TANF cash benefits for up to a maximum of 24 months as long as they continue to meet eligibility requirements, including participating in the Jobs Program and ensuring their children maintain an attendance level at school of at least 90 percent, unless excused pursuant to statute (see the Division of Employment and Rehabilitation Services bullet on page 3 for additional information about the Jobs Program). DBME also administers the Supplemental Nutrition Assistance Program (SNAP), which provides low-income households with increased food-purchasing power. SNAP benefits are accessed through the electronic benefit transfer process and can be used like cash at retail grocery outlets and farmers' markets.⁵ Eligibility for SNAP benefits is based on income and other requirements such as state residency. DBME also determines eligibility to receive medical benefits from AHCCCS and for disability payments under the federal Social Security Disability Insurance and Supplemental Security Income programs. See Table 1 for additional information on DBME clients and services for fiscal year 2016 and July through December 2016.
- **Division of Child Support Services (DCSS)—524 filled FTE**—The DCSS assists custodial parents with identifying and obtaining financial resources from noncustodial parents to provide for their children's care. The DCSS' services include locating absent parents, establishing legal paternity for children born to single mothers, and establishing legal obligations to pay child support. Any person who needs assistance in establishing paternity or establishing, modifying, or enforcing a child support or medical support order is eligible for services.⁶ The DCSS enforces and collects child support through a variety of administrative and judicial remedies, such as an income withholding order, which requires the noncustodial parent's employer to withhold the monthly amount of current support. It is also responsible for the State Disbursement Unit, a centralized unit which receives, processes, and disburses child support payments for all child support cases state-wide, unless the court orders that support be paid directly to the party entitled to receive it. See Table 1 for additional information on DCSS services for fiscal year 2016 and July through December 2016.
- **Division of Developmental Disabilities (DDD)—2,042 filled FTE**—The DDD provides supportive services to individuals with developmental disabilities and their families. Services may include assistance with daily life activities, employment services, behavioral health, transportation, speech and other therapies, and home modifications. Most services are delivered by certified providers in the family's or person's own home, as well as their community, and are provided throughout the lifespan of an eligible member. Arizona residents diagnosed with autism, cerebral palsy, epilepsy, or an intellectual/cognitive disability that was manifested before the age of 18 and is likely to continue indefinitely may be eligible. However, the individual must have

⁴ AHCCCS is the State's Medicaid program, which is a federal healthcare program for individuals and families that is jointly funded by the federal and state governments. The Department determines Medicaid eligibility for adults and children with limited income, and uninsured children under the age of 19 who have income higher than the Medicaid limit.

⁵ Arizona's SNAP program also allows certain participants to use their SNAP benefits to purchase prepared meals at participating restaurants. Participation in this specific SNAP benefit requires that every member of the household meets one or more of the following criteria: is disabled, elderly, or homeless.

⁶ Any person receiving TANF cash assistance, Medicaid, or federally assisted foster care is automatically referred to the DCSS for services. All other individuals must apply for DCSS services.

substantial functional limitations in three or more of seven life areas, such as self-care, learning, mobility, or economic self-sufficiency, that are directly attributable to the disability. Children under the age of 6 years may be eligible for services if there is a strongly demonstrated potential that the child has or will have a developmental disability. The DDD also administers the Arizona Early Intervention Program (AzEIP). AzEIP supports families of children with developmental disabilities or special developmental needs between birth and 36 months of age to enhance and promote their child's growth, development, and learning. Various contracted services are available to AzEIP families, including speech-language pathologists, physical therapists, occupational therapists, and others to work as a team in supporting the families, along with nutrition and assistive technology. See Auditor General Report 17-109 for information about the qualification requirements for the contracted agencies the Department uses to train and monitor developmental home licensees who provide a residential setting for individuals with developmental disabilities, and the Department's oversight of these contracted agencies. See Table 1, page 4, for additional information on DDD clients for fiscal year 2016 and July through December 2016.

- **Division of Employment and Rehabilitation Services (DERS)—1,368.25 filled FTE**—DERS provides a range of employment and job training services and supports to assist individuals in varying situations, including the unemployed and individuals with disabilities, to achieve long-term and gainful employment. For example, DERS provides unemployment insurance benefits to eligible individuals based on their earnings for up to a maximum of 26 weeks. Eligibility generally requires that the individual must have earned sufficient wages in insured employment during a base period; become unemployed through no fault of his/her own; be physically able to work and actively seeking work; and has not refused an offer of employment or a referral to suitable work. DERS also administers the Jobs Program, which provides eligible individuals a variety of supportive and specialized services to help remove barriers to employment, such as instruction in job readiness competencies and enrollment in education or training activities. Individuals receiving TANF cash assistance are required to participate in the Jobs Program, unless otherwise excused by statute. Additionally, DERS provides vocational rehabilitation services to help individuals with disabilities prepare for, enter into, or retain competitive integrated employment. To be eligible for these services, individuals must have a physical or mental impairment that substantially impedes their ability to obtain or retain employment and should be able to secure, retain, or regain employment after receiving vocational rehabilitation services. See Auditor General Report 17-101 for additional information on the vocational rehabilitation program.

Finally, DERS assists eligible families with child care costs, enabling parents to participate in employment and specific education and training activities related to employment, or in certain other circumstances when parents are unable to provide care, such as when a child is in foster care. Families may choose from a variety of child care providers including those regulated by the Department or by the Arizona Department of Health Services, and in some instances, noncertified relatives. See Auditor General Report 17-103 for additional information on the Department's child care services. See Table 1 for additional information on DERS clients and services for fiscal year 2016 and July through December 2016.

In addition to the five client service divisions, the Department's Office of the Director, in conjunction with other department offices and operational divisions, provides centralized administrative services to department staff. These administrative services include business and finance, technology, human resources, professional development, and continuous improvement. According to the Department, the Office of the Director and other department offices and operational divisions had 692.75 filled FTE positions as of May 2017.

The Department provides services through administrative and direct service offices across the State, with its central administrative office located in Phoenix. Additionally, clients may access department-provided services through interactive voice response telephone systems and the Internet. For example, the Department's child support payment gateway allows noncustodial parents to make child support payments electronically over the Internet, by phone, or in person using point-of-sale terminals located in direct service offices. Additionally, new and continuing unemployment insurance claims and cash, nutrition, and medical assistance applications may be filed electronically via the Internet. For example, during July through December 2016, 107,895 initial claims for unemployment insurance were filed online.

Table 1
Selected metrics for client service divisions
Fiscal year 2016 and July through December 2016

	2016	July through December 2016
DAAS		
Clients served (adult services)	301,031	131,735
Clients receiving emergency shelter	10,845	4,819
Households provided home energy assistance	31,470	17,133
Adult abuse/neglect/exploitation reported cases	11,629	6,451
Adult abuse/neglect/exploitation closed cases	17,395	5,481
Average length of investigation (days)	296	199
DBME		
Average monthly number of clients provided TANF benefits	22,171	19,592
Maximum monthly TANF benefit payment for a family of three	\$278	\$278
Average monthly number of clients provided SNAP benefits	980,536	970,953
Average SNAP daily allotment per client	\$3.94	\$3.94
DCSS		
Paternities established	9,940	5,807
Support orders established	4,507	2,044
Support amount collected	\$703,664,819	\$337,066,869
Support amount disbursed	\$701,656,046	\$340,945,542
DDD		
Average end-of-month number of clients served ¹	37,076	38,188
Average end-of-month percent of clients living in their own home as opposed to an institution or other residential setting ¹	87.9%	88.2%
Average monthly number of clients provided AzEIP services	2,906	2,573
DERS		
Number of initial claims for unemployment insurance benefits	214,235	108,402
Maximum weekly unemployment insurance benefit	\$240	\$240
Clients provided services through Jobs Program	13,226	7,988
Average monthly number of clients provided employment-related vocational rehabilitation services	12,808	12,979
Average monthly number of families provided child care subsidy	16,314	15,542
Average monthly child care subsidy payment	\$359.00	\$364.45

¹ This measure does not include clients served through the AzEIP program.

Source: Auditor General staff summary of department-compiled data for fiscal year 2016 and July through December 2016.

In addition to these offices and divisions, the Department supports 11 advisory councils, boards, and committees that are subject to the State's open meeting law requirements. These public bodies fulfill various duties and purposes (see textbox). Auditors evaluated these public bodies for compliance with the State's open meeting law as part of the sunset factor analysis (see Sunset Factor 5, pages 15 through 16).

Duties of the department-supported public bodies subject to Arizona's open meeting law requirements

Appeals Board—An independent body consisting of three members selected by the Department Director, which determines whether an administrative law judge made the correct decision based upon the law and the evidence.

Arizona Apprenticeship Advisory Committee—Coordinates, advises, and recommends approval of procedures for registration of apprenticeship programs, such as automobile mechanics, carpenters, electricians, and plumbers, to the Department in accordance with federal law. This committee also promotes the development, expansion, and improvement of apprenticeship and training programs.

Arizona Developmental Disabilities Advisory Council—Reviews new policies and major policy changes before the DDD submits the policies or changes for public comment. This council also makes recommendations to the Department regarding coordination and integration of services provided by developmental disability programs.

Arizona Interagency Coordinating Council for Infants and Toddlers—Advises and assists the Department in developing and implementing a state-wide, comprehensive, interagency service delivery system for eligible infants and toddlers and their families.

Arizona State Rehabilitation Advisory Council—Works with and advises the Department's Rehabilitation Services Administration on matters relating to vocational rehabilitation eligibility, the effectiveness of services provided, and other responsibilities.

Child Care Advisory Committee—Works with the Department to review issues, options, impacts, and recommendations related to child care regulation.

Governor's Advisory Council on Aging—Advises policy makers and state agencies and works with local communities, private enterprises, and older adults across Arizona to accomplish its mission of enhancing the quality of life for older Arizonans.

Governor's Council on Blindness and Visual Impairment—Ensures that the specialized needs of blind and visually impaired Arizonans are addressed effectively.

Governor's Council on Spinal and Head Injuries—Reviews and makes recommendations, plans, and strategies for meeting the needs of persons with spinal or head injuries on a state-wide basis. The Council also develops plans for the expenditure of the Spinal and Head Injuries Trust Fund established in A.R.S §41-3203.

Human Rights Committee for the Developmentally Disabled—Groups of local citizens who provide independent oversight related to the rights of clients receiving services from the DDD.

Hunger Advisory Council—Provides a forum for the development and advocacy of strategies to end hunger, with particular attention on empowering the disenfranchised in order to attain food security for everyone.

Source: Auditor General staff summary of Arizona Revised Statutes, Executive Orders, information from the public bodies, and department information.

Revenues and expenditures

The Department is funded by various revenue sources including state appropriations, federal grants and reimbursements, and employers' unemployment insurance contributions. As shown in Table 2 (see page 7), the Department's total estimated fiscal year 2017 revenues were approximately \$4.1 billion. Approximately \$3 billion of fiscal year 2017 total revenues is estimated to come from grants and reimbursements, including federal grants such as the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Child Care and Development Block Grant, Rehabilitation Services—Vocational Rehabilitation Grants to States, and Child Support Enforcement, and contract payments from AHCCCS for individuals with developmental disabilities. The Department also estimates it will receive approximately \$530.1 million in State General Fund appropriations during fiscal year 2017, with the majority of these monies paying for services for individuals with developmental disabilities. In addition, approximately \$473.8 million of fiscal year 2017 revenues is estimated to come from employers' unemployment insurance contributions. Most of the remaining fiscal year 2017 revenues come from the Arizona Industries for the Blind sales and other revenue, such as monies received from DDD members who are also enrolled in the Arizona Long Term Care System (ALTCS) for noncovered residential services.^{7,8}

As shown in Table 2, the Department's total estimated fiscal year 2017 expenditures were approximately \$4.3 billion. Of that total, approximately \$3.3 billion was used to provide aid or services to individuals or to organizations that provide services to participants in department programs. For example, the Department pays providers for services provided to individuals who are developmentally disabled and food assistance to help families in need. Most of the remaining expenditures were for payroll and related benefits, unemployment insurance benefit payments, professional and outside services, and other operating expenditures such as rent and utilities.

⁷ Arizona Industries for the Blind provides training and employment opportunities to blind and visually impaired individuals by providing goods and services to government and commercial customers. As indicated in Table 2, footnote 2 (see page 7), the Arizona Industries for the Blind became a 501(c)3 organization on July 1, 2017. After fiscal year 2017, it is no longer part of the Department.

⁸ ALTCS provides long-term care, behavioral health, and acute care services to eligible individuals with developmental disabilities who are at risk of institutionalization.

Table 2
Schedule of revenues, expenditures, and changes in fund balance
Fiscal years 2015 through 2017
(Unaudited)

	2015 (Actual)	2016 (Actual)	2017 (Estimate)
Revenues			
Grants and reimbursements ¹	\$2,959,753,512	\$2,900,927,011	\$3,045,973,362
State General Fund appropriations	482,587,200	523,934,200	530,124,400
Employer's unemployment insurance contributions	462,869,933	482,955,379	473,800,000
Arizona Industries for the Blind sales ²	17,639,256	18,093,523	19,400,800
Fees	2,416,102	2,438,977	2,560,926
Fines, forfeits, and penalties	4,233,515	4,310,285	4,525,799
Interest ³	1,420,790	4,721,193	4,957,253
Other ⁴	69,344,173	65,400,705	68,670,740
Total revenues	4,000,264,481	4,002,781,273	4,150,013,280
Expenditures			
Payroll and related benefits	424,830,244	450,526,861	461,970,000
Professional and outside services	75,202,049	85,842,403	110,581,400
Travel and food	4,569,219	4,790,583	5,795,700
Aid to individuals and organizations ¹	2,828,772,311	2,892,864,601	3,273,242,900
Other operating	122,545,506	135,169,178	124,312,800
Capital outlay	6,015,452	7,056,769	224,500
Debt service principal and interest ³	1,120,492	178,794	
Unemployment insurance benefit payments	319,359,176	291,295,534	309,656,600
Arizona Industries for the Blind operating expenditures ²	18,278,218	18,683,160	19,400,800
Total expenditures	3,800,692,667	3,886,407,883	4,305,184,700
Reversions to the State General Fund ⁵	73,087		
Total expenditures and reversions	3,800,765,754	3,886,407,883	4,305,184,700
Net change in fund balance	199,498,727	116,373,390	(155,171,420)
Fund balance, beginning of year	64,800,900	264,299,627	380,673,017
Fund balance, end of year	\$ 264,299,627	\$ 380,673,017	\$ 225,501,597

¹ Grants and reimbursements include grants from the federal government, primarily from the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Child Care and Development Block Grant, Rehabilitation Services—Vocational Rehabilitation Grants to States, and Child Support Enforcement. In addition, it includes capitation payments, or contract payments, from AHCCCS for individuals who are developmentally disabled. These revenues are primarily spent providing aid or services to individuals or aid to organizations that provide services to participants in department programs.

² The Arizona Industries for the Blind became a 501(c)3 organization on July 1, 2017. After fiscal year 2017 it became a stand-alone, nongovernmental entity that is no longer under the direction of the Department.

³ Debt service principal and interest expenditures decreased substantially in fiscal year 2016 because, according to the Department, it paid off a federal government loan during fiscal year 2015 that was needed to meet the State's unemployment insurance program payment obligations during the last recession. After the loan was paid off and the balance of the Unemployment Trust Fund grew, the Department reported it could invest these monies and earn interest; therefore, the interest revenue increased beginning in fiscal year 2016.

⁴ According to the Department, other revenues include various sources such as revenues from DDD clients who are also enrolled in ALTCS who paid the Department for the actual cost of residential services or up to 70 percent of their income for these noncovered services and revenues from third-party community rehabilitation provider contributions that help individuals with disabilities in preparing for and engaging in employment readiness activities.

⁵ Reversions to the State General Fund represent unspent State General Fund appropriations for fiscal year 2015. The Department did not know the fiscal year 2016 amount at the time of the audit.

Source: Auditor General staff analysis of financial information provided by the Department as of June 19, 2017, for fiscal years 2015 through 2017.



In accordance with Arizona Revised Statutes (A.R.S.) §41-2954, the Legislature should consider the following factors in determining whether to continue or terminate the Arizona Department of Economic Security (Department).

Auditors' analysis of sunset factors found that the Department should make changes in the following two areas:

- Determine whether and when it can proceed with rulemaking to establish required rules (see Sunset Factor 4, pages 14 through 15); and
- Ensure that the councils, boards, and committees it staffs consistently comply with the State's open meeting law (see Sunset Factor 5, pages 15 through 16).

In addition to the recommendations in this report, the Department should address the recommendations directed to it in the other four audit reports issued as a part of this sunset review (see Auditor General Reports 17-101, 17-103, 17-104, and 17-109).

1. The objective and purpose in establishing the Department and the extent to which the objective and purpose are met by private enterprises in other states.

The Department was established by the Legislature in 1972 to integrate the delivery of human services and this purpose is not met by private enterprises in Arizona and other states. To help Arizonans reach their potential through temporary assistance for those in need and care for the vulnerable, the Department provides a broad range of human service programs and services, such as social service programs for children, adults, and families; income maintenance services, including child support collection services; unemployment compensation; rehabilitation services; work training; and services for individuals with developmental disabilities. The Department reported serving approximately 3 million Arizonans as of July 2017.

According to information compiled by the American Public Human Services Association, all 50 states have one or more state-level human services agencies.⁹ Auditors' review of the other state agencies' websites found that these agencies provide or coordinate similar types of human services for their citizens. Similar to other state human services agencies, the Department uses private contractors to conduct some of its activities (see Sunset Factor 12, pages 25 through 26, for more information on the extent to which the Department has used private contractors as compared to two other states).

2. The extent to which the Department has met its statutory objective and purpose and the efficiency with which it has operated.

The Department has generally met several of its statutory objectives and purposes but should improve in some areas. Some examples of where the Department has met its purpose and improved its efficiency include:

- **Improving access for clients**—In April 2017, the Division of Developmental Disabilities (DDD) consolidated 16 telephone numbers into one toll-free number that clients state-wide can use to access any resources within the DDD. The automated system is managed by representatives in the DDD's Customer Service Center, which receives 700 to 1,100 calls per month. Additionally, according to the Department, a 2016 legislative change allowed it to develop an online application for its child support

⁹ The American Public Human Services Association is a nonprofit membership organization representing state and local human service agencies' leadership.

program. Specifically, the change allows the Department to accept electronic, rather than physical, signatures on applications. As of May 2017, the Department was developing the online application and expected to start using it by the fall of 2017.

- **Implementing the Arizona Management System (AMS)**—The Department is implementing the AMS, which is an initiative from the Governor’s Office that is based on the principles of continuous improvement. To monitor the overall progress and performance in the AMS, each agency has a scorecard with performance metrics. The Department’s client service divisions are tracking two common areas: the number of days to contact a client and/or to determine client eligibility for a program. For example, the Department’s Division of Benefits and Medical Eligibility (DBME) has a goal of determining eligibility for the Temporary Assistance for Needy Families (TANF) cash assistance program within 20 or fewer days.¹⁰ According to the Department’s scorecard, DBME reduced the average number of days to determine eligibility for TANF from 22 days in September 2016 to 19 days in April 2017.

Additionally, the Department is completing breakthrough projects, which are major initiatives that focus on improving specific areas within a process. As of May 2017, the Department had three breakthrough projects underway within its Division of Employment and Rehabilitation Services (DERS), DBME, and the DDD.¹¹ For example, the DBME breakthrough project has a goal of reducing the Supplemental Nutrition Assistance Program (SNAP) payment error rate from 6.66 percent in federal fiscal year 2016 to 4.99 percent by June 30, 2018.¹² This would reduce the amount of misspent federal monies that result from SNAP payment processing errors by approximately \$19.7 million.

- **Reducing Adult Protective Services (APS) caseloads**—In fiscal year 2015, the annual average caseloads for APS investigators reached a high of 139 cases per investigator, which prompted APS management to take several actions to reduce caseloads (see the Introduction, pages 1 through 2, for more information about the APS). Specifically, APS management reported that the program has focused on the safe reduction of APS caseloads through a multi-pronged approach, including increased staffing, comprehensive and targeted case management, and continuous quality improvement. For example, in fiscal year 2015, temporary staff were hired to help review and close outstanding cases using a client safety-focused assessment of the case. According to APS management, temporary staff closed over 4,000 cases in fiscal years 2015 and 2016.¹³ The APS also acted to equalize its investigators’ workloads when its staff identified disparities in the number of new cases assigned to units and investigators within the APS’ geographical districts. Specifically, APS management stated it used a mapping analysis of its new reports by zip code to more equitably balance the reports assigned to units in its two largest districts—Maricopa and Pima Counties; make staffing decisions state-wide; and realign its service areas from six to five districts. Additionally, according to APS management, the APS continued to take actions to help reduce caseloads in fiscal year 2017, including implementing targeted case record reviews to understand why cases are open longer than 6 months; reviewing and consulting on cases opened for more than 1 year; and scheduling time for investigators and supervisors to complete case record activities and reviews. According to the Department, the APS has been able to reduce the monthly average caseloads from 149 cases per investigator in July 2014 to 48 cases per investigator in February 2017.

¹⁰ The TANF cash assistance program provides temporary cash benefits and support services to low-income families while the recipients seek employment (see the Introduction, page 2, for more information about this program).

¹¹ The Department’s Office of Procurement began a breakthrough project in August 2017.

¹² SNAP provides low-income households with increased food purchasing power (see the Introduction, page 2, for more information about this program).

¹³ According to APS management, cases were reassessed by either a permanent or temporary APS worker and complex cases were assigned to permanent APS workers. Additionally, temporary APS workers were supervised by APS supervisors to complete investigations and close cases, according to APS management.

In addition to the Department's efforts to become more efficient, the performance audits completed as part of the Department's sunset review also identified areas for improvement. Specifically:

- **Managing rehabilitation service costs and clients' progress**—The Office of the Auditor General's January 2017 performance audit found that the Department should enhance its Vocational Rehabilitation Services Program's (Program) processes for managing rehabilitation service costs and clients' progress (see Report 17-101). The Program is responsible for assisting clients with a significant physical or mental impairment to prepare for and find work on a full- or part-time basis. However, the Department had a higher average rehabilitation cost and a lower rehabilitation rate than comparable agencies in other states. This high cost limits the number of eligible clients that the Department can serve. In addition, because the Program's goal is to help eligible clients obtain or retain competitive employment, it is also important for the Department to work toward increasing its rehabilitation rate. Therefore, the Department should enhance its program oversight, staff guidance, and supervisory and staff training to effectively manage program costs and clients' progress.
- **Improving child care monitoring and complaint-handling processes**—The Office of the Auditor General's February 2017 performance audit found that the Department should improve its child care provider monitoring and complaint-handling processes and examine consolidating child care regulation under one agency (see Report 17-103). The Department is responsible for establishing and administering child care services, including providing a child care subsidy for eligible families, certifying and monitoring child care home providers who are not regulated by the Arizona Department of Health Services (DHS), and developing and implementing services to increase child care affordability, availability, and quality. Auditors found that the Department did not always conduct two required comprehensive on-site inspections annually of each child care home provider (provider) in calendar years 2012 through 2014. Department inspectors also did not consistently assess provider compliance with child care requirements during inspections. Additionally, auditors found that although the Department is required to investigate and resolve complaints and provide information on valid complaints to the public, it had not established procedures to effectively receive, investigate, and monitor complaints. Therefore, the Department should develop and implement a differential monitoring approach to more effectively and efficiently monitor its providers; ensure inspections are consistently performed; and develop and implement policies and procedures for complaint investigations, enforcement processes, and follow-up activities. Finally, the Department and the DHS share responsibility for child care regulation in Arizona, and the Department should work with the DHS and stakeholders to examine the costs and benefits of consolidating their child care regulatory functions.
- **Improving security processes and controls for information technology systems and data**—The Office of the Auditor General's April 2017 performance audit found that the Department should improve security processes and controls over its information technology (IT) systems and data, and establish an information security program (see Report 17-104). The Department has a significant responsibility to safeguard its IT systems and the data contained in them from misuse or attack because of the volume and nature of the sensitive data it maintains. Although the Department had established various IT security processes to help protect its IT systems and data, by performing common attack patterns, auditors identified weaknesses and were able to access these IT systems and sensitive data, including social security numbers and confidential health information. Additionally, the Department lacked an information security program as required by state policy. Establishing such a program would help ensure the Department sufficiently protects its IT systems and data. Finally, auditors' in-depth review of three key policy areas—data classification, incident response, and security awareness education and training—found that the Department had not developed or fully developed associated procedures and had not incorporated some best practices within its incident response policy. Therefore, the Department should further develop and implement information security policies and procedures for the areas of data classification, incident response, and information security awareness education and training.

- **Establishing minimum qualifications and oversight process for contracted agencies that monitor developmental homes**—The Office of the Auditor General’s September 2017 performance audit found that the Department should establish minimum qualifications for its contractors, called monitoring agencies, that train and monitor child and adult developmental home licensees and a process to oversee these monitoring agencies (see Report 17-109). As of May 2017, developmental home licensees provided a residential placement for over 1,400 individuals with developmental disabilities and are responsible for their care and safety. Although the Department uses monitoring agencies to train and monitor developmental home licensees, it has not established initial minimum education or experience requirements or subsequent annual training requirements for these monitoring agencies to ensure they are and remain qualified to fulfill their responsibilities. Therefore, the report recommended that the Department establish minimum qualifications and annual training requirements for monitoring agency applicants and their staff. In addition, the Department does not formally oversee these monitoring agencies, such as conducting onsite visits or requesting and reviewing documentation to verify monitoring agencies’ activities. To ensure monitoring agencies are effectively fulfilling their responsibilities, the report recommended that the Department clearly define monitoring agencies’ responsibilities within its contractual agreements, develop and provide standardized guidance to assist monitoring agencies in training and monitoring developmental home licensees, and develop and implement a process for overseeing the monitoring agencies.

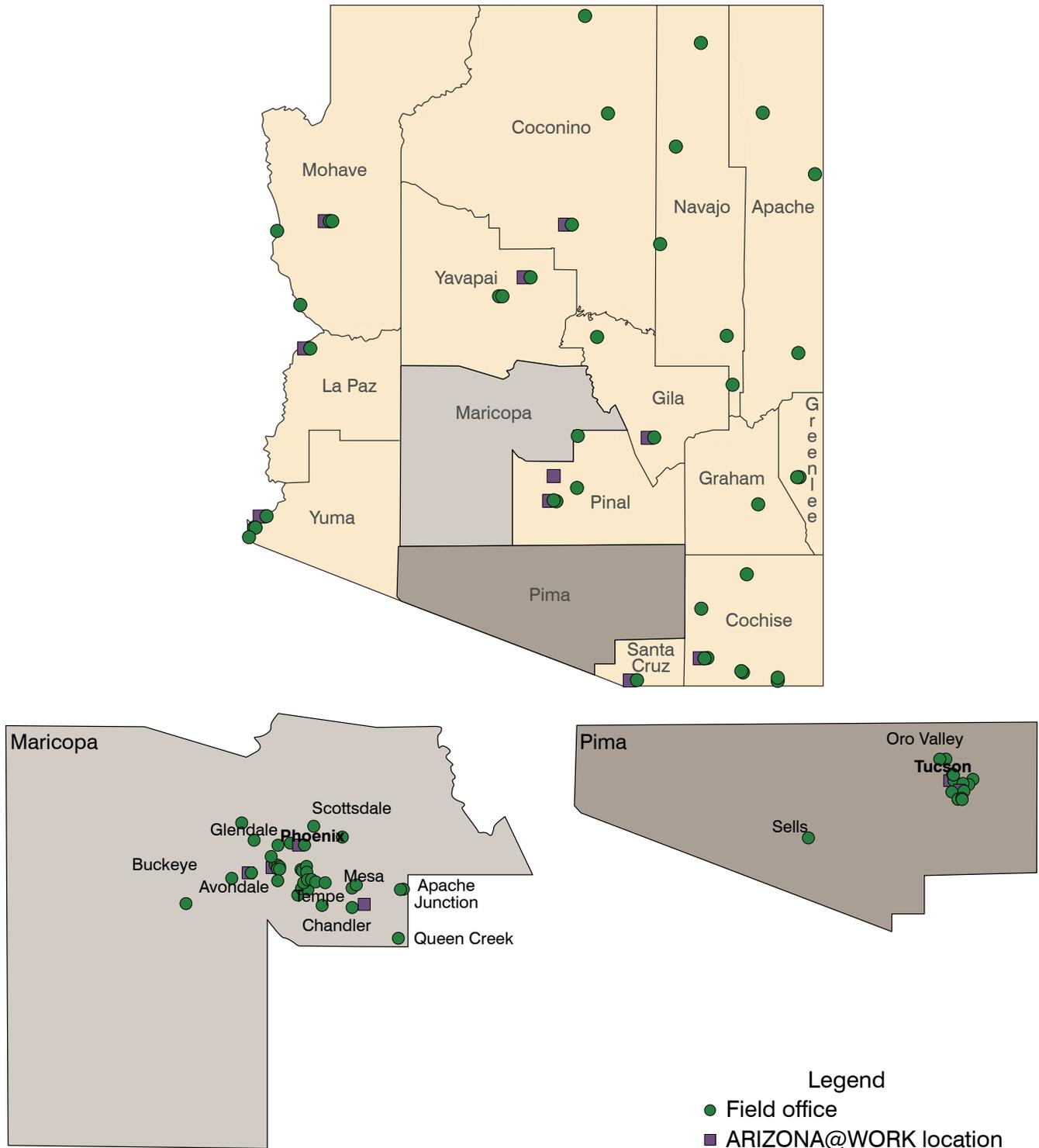
3. The extent to which the Department serves the entire State rather than specific interests.

The Department serves the entire State by providing critical protective and assistance services to some of Arizona’s most vulnerable children, adults, and families through more than 40 different programs. As of July 2017, the Department reported serving approximately 3 million Arizonans. Clients can receive services through various department programs, including SNAP, Unemployment Insurance, and the Vocational Rehabilitation Services Program. (See the Introduction, pages 1 through 3, for more information on the Department’s programs.) The Department’s services are available through offices state-wide, and some services can be accessed online. Specifically:

- **Field offices**—The Department provides its services through 91 direct-service field offices state-wide that are located in all of Arizona’s 15 counties, with a central administration facility located in Phoenix. See Figure 1, page 13, for a map of the Department’s field offices around the State. Most field offices are open from 8 a.m. to 5 p.m. and 57 of the Department’s 91 field offices, or approximately 63 percent, provide services from multiple department client service divisions and programs. For example, clients can visit one office and apply for a child care subsidy or SNAP benefits, and receive vocational rehabilitation services.
- **ARIZONA@WORK centers**—In addition to its field offices, the Department provides a full range of employment services to job seekers at 16 comprehensive ARIZONA@WORK centers across the State. Employment services include career counseling, skills development, and job search and placement services (see Figure 1 for a map of the Department’s ARIZONA@WORK locations around the State). ARIZONA@WORK centers are open from 8 a.m. to 5 p.m. on weekdays.¹⁴
- **Online services**—In addition to the field offices and ARIZONA@WORK centers, individuals can also obtain information about or apply for some department services online. Some of the general information the Department offers on its website includes telephone numbers for its different programs and services; forms, policies, and pamphlets about specific programs and services; an online office locator; and links to frequently asked questions. The Department also offers several online services, including applying for food, medical, and cash benefits; filing weekly unemployment insurance claims; and checking on child support cases.

¹⁴ There are also affiliate sites, which are sites that make one or more of the ARIZONA@WORK services available to job seekers and employers. The affiliate sites are used to supplement and enhance customer access to employment services in addition to the comprehensive ARIZONA@WORK centers. According to the Department, these sites might be at a library or community center.

Figure 1
 Department field office and ARIZONA@WORK locations in Arizona counties
 As of March 2017¹
 (Unaudited)



¹ The ARIZONA@WORK locations are as of April 2017.
 Source: Auditor General staff analysis of department-provided information.

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

General Counsel for the Auditor General has reviewed the Department's rulemaking statutes and believes that, in general, the Department's rules are consistent with the legislative mandate. However, General Counsel for the Auditor General identified four areas in which the Department has not established statutorily required rules.

According to the Department, it has not developed rules for three of the four areas because it has not received funding for the associated program or the program was recently developed. Specifically:

- **Family Support Program**—A.R.S. §36-596.52(A) requires the Department to adopt rules to administer a family support program, which provides services, supports, and other assistance to families of an individual who is developmentally disabled. However, statute also states that the family support program is subject to funding appropriated by the Legislature or otherwise available for this purpose. According to the Department, funding has not been provided for this program, so it has not developed rules for it.
- **Certification standards for service providers**—A.R.S. § 36-596.54(A) allows the Department to provide family support vouchers for services provided to individuals who are developmentally disabled and who are members of the Arizona Long Term Care System (ALTCS), as long as the services are provided by certified providers, are included in the individual's program plan, and are approved for Title XIX funding within the Social Security Act.¹⁵ It also requires the Department to prescribe certification standards for these providers through rules. According to the Department, funding has not been provided for this program, so it has not developed rules for it.
- **Achieving a Better Life Experience (ABLE) Act**—According to the U.S. Internal Revenue Service, the ABLE Act allows individuals with disabilities and their families to establish and contribute after-tax monies to an ABLE account to help pay for disability-related expenses. The monies in the ABLE account, including interest or other earnings, can be withdrawn tax-free when used to pay for qualified disability expenses for the eligible individual, such as education, transportation, and health expenses.¹⁶ According to federal law, one purpose of the ABLE program is to provide secure funding for individuals with disabilities that will supplement, not supplant, benefits from other sources, such as Medicaid, Supplemental Security Income, and private insurance.¹⁷ A.R.S. §46-902(1), which became effective in August 2016, requires the Department to establish rules to implement the ABLE program. As of July 2017, the Department indicated that the ABLE program's executive director was working with the Department's Rules Unit to develop a request for an exception to the moratorium on state agencies' rulemaking.¹⁸ Therefore, the Department should continue with its efforts to determine whether and when it can proceed with rulemaking to establish these required rules.

Additionally, according to the Department, rules are pending completion for the remaining area. Specifically, A.R.S. §46-452.01 requires the Department to adopt rules to implement the State's long-term care ombudsman program. The long-term care ombudsman is federally required and includes the following duties: hearing, investigating, and attempting to resolve complaints; referring cases of abuse or neglect to adult protective services; and providing advice to residents of long-term care facilities. The Department has been operating this program without formally drafted rules. As of July 2017, the Department stated that rules for the program had been informally drafted and it would need to make a request for an exception to the rulemaking moratorium.

¹⁵ Title XIX of the Social Security Act was enacted in 1965 and established Medicaid, a federal/state entitlement program that pays for medical assistance for individuals and families with low incomes and resources.

¹⁶ US Code Title 26, Section 529A, defines an eligible individual as someone who is entitled to benefits based on blindness or disability under Title II or XVI or the Social Security Act, and such blindness or disability occurred before the date on which the individual attained age 26.

¹⁷ An ABLE account balance, up to and including \$100,000, is not counted toward the individual's Supplemental Security Income resource limit of \$2,000.

¹⁸ Executive Order 2017-02 was signed by Governor Doug Ducey on January 11, 2017, and expires on December 31, 2017. This moratorium restricts rulemaking without the prior written approval of the Governor's Office and provides justification for exceptions to the rulemaking moratorium, such as complying with a state or federal statutory requirement or preventing a significant threat to the public health or safety.

Therefore, the Department should continue with its efforts to determine whether and when it can proceed with rulemaking to establish these required rules.

In addition to these four statutory areas for which the Department is required to develop rules but has not yet done so, the Department has worked with the Governor's Office to obtain exceptions to the existing rule moratorium to update some of its outdated rules. As of May 2017, the Department had been granted an exception to proceed with rulemaking for six of its chapters within the Arizona Administrative Code, including topics related to developmental disabilities; unemployment insurance; and the TANF cash assistance program.

5. The extent to which the Department has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

The Department has provided opportunities for public input before adopting rules. Specifically, the Department has encouraged input from the public and stakeholders before amending its rules by publishing notices of proposed rulemaking in the Arizona Administrative Register. For example, in May 2016, the Department requested and received written input on its rule related to first aid and CPR training for child care providers. The Department responded to this input by making an adjustment to its proposed rule.

However, the Department should ensure that it helps the councils, boards, and committees it staffs and supports to consistently comply with the State's open meeting law. As described in the Introduction, the Department provides staff and administrative support to 11 councils, boards, and committees, including helping them to comply with the open meeting law (see textbox on page 5). Overall, these councils, boards, and committees provide oversight, guidance, and recommendations to the Department for several programs and services it provides. For example, the Arizona State Rehabilitation Advisory Council advises the Department regarding specific vocational rehabilitation services responsibilities, such as the effectiveness of services provided. To assess these councils, boards, and committees' compliance with open meeting law requirements, auditors reviewed and attended a sample of public meetings held between February and May 2017. Specifically, auditors tested 5 of the 11 councils, boards, and committees for compliance with multiple open meeting law requirements, including posting meeting notices and agendas 24 hours prior to the meeting on their websites and in any specified physical locations, following the posted agenda, and making their meeting minutes available within 3 working days of the meeting dates. Specifically, auditors reviewed the Appeals Board, the Governor's Council on Blindness and Visual Impairment, the Governor's Council on Spinal and Head Injuries, the Human Rights Committee for the Developmentally Disabled, and the Hunger Advisory Council for compliance with these open meeting law requirements. Although these five councils, boards, and committees generally complied with the open meeting law requirements reviewed, auditors identified some areas of noncompliance as follows:

- First, auditors found that three of the five councils, boards, and committees—the Governor's Council on Spinal and Head Injuries, the Human Rights Committee for the Developmentally Disabled, and the Hunger Advisory Council—did not include a conspicuously posted statement on their websites indicating where their meeting notices would be posted. According to A.R.S. §38-431.02(A), public bodies must conspicuously post a statement on their website indicating where all public meeting notices will be posted, including the physical and electronic locations. However, because these three councils, boards, and committees did not have the required posting statement, auditors could not determine whether they posted their meeting notices in the specified locations, that meeting notices and agendas were posted at least 24 hours prior to the meeting, and that notices and agendas included the statutorily required elements.
- Second, auditors identified one council—the Hunger Advisory Council—that did not have meeting minutes available within 3 working days of a meeting and did not include some required information within its meeting minutes. According to A.R.S. §38-431.01(D), meeting minutes must be made available to the public within 3 working days. Additionally, A.R.S. §38-431.01(B) provides information that must be included within the meeting minutes, such as “the members recorded as either present or absent” and “a

general description of the matters considered.” However, the Hunger Advisory Council’s meeting minutes did not list which members were either present or absent; listed a topic as a “roundtable” and described it as a “limited discussion,” which does not provide a general description of the matters considered during the discussion; and did not include the name of each person making statements or presenting material to the public body for all meeting topics.

- Finally, the meeting notice for the Department’s Appeals Board indicates that the Appeals Board meets on a daily basis. However, according to an Appeals Board member, the Appeals Board generally meets on Tuesdays and Thursdays each week.

Further, auditors reviewed the remaining six councils, boards, and committees for compliance with select open meeting law requirements, including posting meeting notices and agendas 24 hours prior to scheduled meetings on their websites and in any specified physical locations. However, 5 of these 6 councils, boards, and committees did not include a conspicuously posted statement on their websites about where the meeting notices would be posted. Therefore, auditors could not determine whether these councils, boards, and committees complied with posting requirements. For the one council that had a conspicuously posted statement on its website—the Governor’s Advisory Council on Aging—the meeting notice and agenda were posted in the correct locations and at least 24 hours prior to the meeting.

Although the Department has some training materials related to open meeting law, such as materials that the Department or the councils, boards, and committees have developed, guidance from the Arizona Ombudsman-Citizens’ Aide, and/or the *Arizona Attorney General’s Agency Handbook*, these materials do not sufficiently direct department staff on all the necessary procedures for assisting the 11 councils, boards, and committees in complying with open meeting law requirements. Therefore, to help ensure that these councils, boards, and committees consistently comply with the State’s open meeting law requirements, the Department should take several steps. First, the Department should develop and implement policies and procedures regarding staff responsibilities for helping to ensure that the councils, boards, and committees comply with the State’s open meeting law, including how it will oversee staff’s adherence to these policies and procedures. These policies and procedures should reflect staff responsibilities such as posting a statement on the website where councils’, boards’, and committees’ meeting notices will be posted and providing meeting minutes within 3 working days of the meeting. Second, based on its open meeting law policies and procedures, the Department should develop and implement training for all department staff who provide support to the councils, boards, and committees. This training should cover policies and procedures for complying with all open meeting law requirements as outlined in statute, explain the staff’s responsibilities for helping the councils, boards, and committees meet these requirements, and be provided to appropriate department staff on a regular basis.

6. The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction.

The Department has been able to investigate and resolve complaints within its client service divisions and other department offices. Administrative rules require the Department to investigate complaints in several client service program areas, including child care, developmental disabilities, and employment services. Complaints may be made to the Department in written, verbal, and electronic format and can be submitted directly to its client service divisions or to the Department’s Ombudsman Office (Ombudsman). The Ombudsman assists clients who cannot determine whom to see or where to go, or feel that their attempts to resolve their problems through other channels within the Department have been unsuccessful. The Ombudsman logs all inquiries and complaints received and directs those requesting assistance to the appropriate client service division. All of the Department’s client service divisions have one or more client advocates who work to resolve complaints received either directly by the division or through the Ombudsman. According to the Ombudsman, client inquiries or complaints usually consist of (1) needing general information, such as the location of the nearest office; (2) requesting assistance, such as an explanation for the client’s case determination; or (3) requiring an administrative review of the client’s case by the Ombudsman. Ombudsman’s Office data indicates that 906 of the 3,585 inquiries and complaints received during July through December 2016 were sent to the appropriate client service division for response, and the remaining 2,679 inquiries and complaints were

responded to by the Ombudsman. The Ombudsman Office's internal goals for responding to inquiries and complaints are 24 hours for those addressed by ombudsman personnel and 72 hours for those addressed by client service division personnel.¹⁹ According to Ombudsman's Office data, the Ombudsman responded to clients within the established time frame for 2,631 of the 2,679 complaints and inquiries it received during July through December 2016, or approximately 98 percent of the complaints and inquiries. In addition, the client service divisions responded to the Ombudsman within the established time frame for 859 of the 906 inquiries and complaints sent to them by the Ombudsman, for a timely response rate of approximately 95 percent.

Examples of the complaint-handling processes for three key service areas—DBME, the Division of Child Support Services (DCSS), and the DDD—are explained in more detail below. Specifically:

- **DBME**—The DBME liaison team addresses complaints involving the Department's TANF cash assistance, SNAP, and family assistance services; and Arizona Health Care Cost Containment System (AHCCCS) eligibility determinations. When the liaison team receives a complaint, it is logged into a DBME database, and tracked and monitored to ensure timely resolution. Liaisons have 1 day to resolve serious complaints, such as a client wanting immediate medical approval due to an emergency, and 3 days to resolve other complaints. The liaison updates the complainant on the complaint's disposition, via phone, email, or a letter, after it is resolved. According to department information, common complaints regarding DBME are a client's inability to get through on the interview line to complete the eligibility interview component of the benefits application process or issues with the clients' cases, such as a client not receiving his/her benefits on time. According to liaison team management, one challenge facing liaisons is that they often need to make multiple attempts to contact complainants for information because the complainant uses voice mail and/or email and does not promptly respond to the liaison's messages. Management reported that although it does not happen often, if the complainant does not respond after several contact attempts, the liaison will close the complaint with no action taken or written notification provided to the complainant. However, DBME liaison team management reported that the liaisons are typically able to resolve complaints within the required time frames. Specifically, DBME data indicated that 5,899 of the 6,000 complaints, or 98 percent, received during fiscal year 2016 and July through December 2016 were resolved by the liaison team within established time frames. In addition, there was not a complaint backlog as of December 2016.
- **DCSS**—The DCSS' Customer Resolution Unit addresses client complaints and disputes through two units, its Executive Correspondence Unit and its Administrative Review Unit. Specifically:
 - The Executive Correspondence Unit addresses child support complaints requiring review and response received through the department director's office, the DCSS assistant director's office, and the Department's legislative services office. When a complaint is received, it is entered into a database and tracked and monitored to ensure it is addressed in a timely manner. Executive correspondence unit staff are required to contact the complainant within 2 business days to acknowledge receipt of the complaint and obtain additional information, if needed. The Executive Correspondence Unit typically has 10 days to resolve the complaint.²⁰ At the completion of the complaint investigation, the Executive Correspondence Unit prepares and sends a letter to the complainant that outlines the actions taken and final results. According to department records, the most common complaints received involve failure of the obligee, i.e., person or agency entitled to receive support, to receive payment from the obligor, i.e., person obligated to pay support; the inability of DCSS clients to access Arizona's online child support portal or reach their DCSS caseworker; and payment issues, such as the obligee receiving a late payment or not receiving a payment because it has been directed to the State to

¹⁹ According to ombudsman office personnel, inquiries and complaints are typically resolved within the time frames established for responding to the inquiry or complaint.

²⁰ If the complaint comes from a legislator through the Department's legislative services office, the DCSS' Executive Correspondence Unit has 5 business days to resolve the issue.

repay public assistance received by the obligee.²¹ Similar to DBME (see previous bullet), at times, DCSS executive correspondence unit staff have difficulty contacting complainants, which may delay the resolution of the complaint. According to DCSS personnel, executive correspondence unit staff will make several attempts to contact the complainant and will also send a letter to the complainant providing contact information before they close the complaint. Executive correspondence unit data indicated that 1,146 of the 1,164 complaints, or 98 percent, received during fiscal year 2016 and July through December 2016 were resolved within the established time frames.²² In addition, DCSS personnel reported that there was not a complaint backlog as of December 2016.

- The Administrative Review Unit conducts administrative reviews of obligor or obligee disputes about enforcement actions taken by the DCSS and the distribution or disbursement of child support payments.²³ Enforcement actions can include issuing an administrative order to withhold income for child support, intercepting lottery winnings and tax refunds, denying passport issuance, and suspending or denying an obligor's driver or recreational license. Depending upon the type of review requested, the Administrative Review Unit is required to issue a final determination between 2 and 55 business days after receiving the request.^{24,25} Administrative review unit records show that the most common requests involve disputes about income wage withholding orders and state tax refund intercepts for reasons such as the client claims he/she has a new court order that modifies payment amounts or the child(ren) is over 18 years of age and therefore payments no longer need to be made. Although most reviews are completed in a timely manner, according to DCSS personnel, some completion delays may occur. For example, if the responsible person in the central or regional DCSS office is absent or unfamiliar with the process of sending the request to the Administrative Review Unit a delay may occur. According to administrative review unit data, 3,468 of the 3,640 requests for reviews, or 95 percent, received during fiscal year 2016 and July through December 2016 were completed within established time frames. In addition, DCSS personnel reported that there was not a review backlog as of December 2016.
- **DDD**—The DDD has four units involved with the investigation and resolution of grievances/complaints, incidents, and disputes. Specifically:
 - The Customer Service Center reviews grievances/complaints regarding any issue that can affect a DDD member or provider, including problems related to claims payments, communication, or courtesy. The DDD's contract with AHCCCS requires that the DDD have a written grievance process.^{26,27} In addition, the DDD must have a mechanism for tracking the receipt, acknowledgment,

²¹ The Arizona child support portal is available for obligees to view a history of child support payments, correspond with their caseworkers, review their case status, provide updates to their contact information, and fill out child support forms. If the individual is not receiving services from the DCSS, he/she will not have access to the online portal.

²² According to DCSS staff, complaint resolution is considered timely if the complaint has been received and resolution action has been initiated within the established time frame.

²³ Pursuant to A.R.S. §25-522(A), an obligor may contest an enforcement action by the DCSS; an obligee may contest the distribution or disbursement of support payments by the DCSS; and the obligor or the obligee may contest the disbursement of support to a noncustodial person other than the State.

²⁴ If the basis for the request for review is issuance of an income withholding order by the DCSS pursuant to A.R.S. §25-505.01 or a levy made pursuant to A.R.S. §25-521, the DCSS is required to review the request and issue a final determination within 10 business days after it receives the request for review. If the basis for the request for review is a mistake in identity pursuant to A.R.S. §25-521, the DCSS is required to issue a final determination by first-class mail to all parties within 2 business days after the receipt of the request.

²⁵ If the individual requesting the review disagrees with the final determination and/or denial of administrative review, he/she may request a judicial review of the Department's administrative decision. Depending on the type of administrative decision, a request for a judicial review must be made within 30 to 35 days of receiving the decision.

²⁶ AHCCCS contracts with the DDD to provide ALTCS services to the DDD's eligible members. ALTCS services include medical care and home- and community-based services, such as housekeeping, occupational therapy, and transportation (see Auditor General Report 17-109 for more information).

²⁷ The DDD's written grievance process must include procedures for addressing the enrollee's grievances, appealing department decisions, and accessing the hearing process. The written process must also include dispute procedures for contracted and noncontracted providers, including claims disputes, and accessing the hearing process.

investigation, and resolution of grievances/complaints. The DDD's written process requires that customer service center staff resolve grievances/complaints received from service providers within 30 days but allows up to 90 days to resolve grievances/complaints received from members. Once the grievance/complaint is resolved, the DDD is required to provide a written explanation of the resolution to the complainant within 2 business days of closure. Customer service center data indicated that a common member grievance/complaint concern is support coordination, such as a lack of followup with the member by their support coordinator or support team or the support coordinator failing to respond to phone calls from the member or a family member. Common provider grievance/complaint concerns are claims issues, such as delays in being paid or not receiving the full amount billed. Although customer service center staff are typically able to resolve grievances/complaints within required time frames, delays in other department units providing needed records and information to research the grievance/complaint sometimes prevent customer service center staff from resolving the grievance/complaint in a timely manner. According to customer service center data, 2,083 of the 2,125 grievances/complaints, or 98 percent, received during fiscal year 2016 and July through December 2016 were resolved by the Customer Service Center within established time frames and there was not a grievance/complaint backlog as of December 2016.

- The Quality Management Unit performs fact-finding processes for cases involving quality of care/service incidents reported by DDD service providers, DDD members, family members, community members, and others.^{28,29} Incidents typically involve health and safety concerns or incidents where there is an issue with the provider not delivering proper care.³⁰ Incidents are received by the DDD through email, phone, and fax. Incidents are prioritized on a level of 1 to 3. Priority 1 incidents, such as a DDD member receiving residential services being left alone without supervision from staff, thereby putting their health and safety in danger, are considered the most serious and require that fact-finding be initiated within 24 hours of notification. Priority 2 incidents, such as a neighbor threatening physical harm to an individual if he/she comes over into the neighbor's yard, require that a fact-finding be initiated within 10 days of notification. Priority 3 incidents, such as an individual receiving rug burns from crawling on his/her hands and knees across the carpet, do not typically require a fact-finding, but are reviewed as part of the member's program planning, which is conducted every 90 to 180 days depending on where the member resides, to assess any changes in the member's status, such as an increase in behavioral incidents that may indicate a need for a behavioral health assessment or behavioral plan change.

DDD policy requires quality management unit staff to enter incidents into the incident tracking system within 2 days and complete their fact-finding within 30 days of being notified of the incident.^{31,32} Quality management unit data indicated that common incidents involve medication errors and accidental injuries. DDD management indicated that challenges facing the Quality Management Unit include limited staffing compared to the high volume of incidents received and delays by providers and others in providing information needed to complete fact-findings. Although the Quality Management Unit did not track the timeliness of its fact-finding as of May 2017, its data show that 18,201 of

²⁸ Fact-finding processes include coordinating with investigative authorities, such as the police or the Arizona Department of Child Safety (DCS); reviewing documents in the member's DDD case file; interviewing staff; and requesting remediation for the incident.

²⁹ The Quality Management Unit is responsible for the DDD's quality management program, which includes other activities in addition to its fact-finding responsibilities, such as collecting and presenting monitoring data on the DDD's service delivery systems and implementing performance improvement activities.

³⁰ An incident is defined as an occurrence that could potentially affect the health and well-being of a DDD member or that poses a risk to the community.

³¹ A fact-finding can be extended an additional 30 days twice for a total of 90 days if more time is needed to allow other department programs such as adult protective services, tribal social services, law enforcement, or other state agencies to complete their investigation and provide the results to the DDD.

³² An incident is complete when the fact-finding, if needed, is reviewed and approved by the DDD; recommendations for corrective action are identified and provided to appropriate DDD and provider personnel; corrective action plans, if needed, are requested and received from the provider and approved by the DDD; or, designated DDD personnel have verified the information entered into the incident management system and have verified that all corrective actions have been completed no later than 60 days from the acceptance of a plan.

the 29,018 incidents, or 63 percent, received during fiscal year 2016 and July through December 2016 were entered into the incident management system within the required 2-day time frame and there was a backlog of 1,323 incidents needing to be entered into the system. All but one of these backlogged incidents were classified as priority 3.³³

- The Regulatory Support Unit monitors licensing and protective services incidents against DDD-regulated providers, such as licensed developmental homes and certified home- and community-based service providers. These incidents are primarily under investigation by other entities, such as the Department's APS program, the DCS, law enforcement, or by the department-contracted monitoring agencies responsible for overseeing the licensed developmental homes.³⁴ However, the DDD monitors the resolution of these incidents. The Regulatory Support Unit receives system-generated notifications of the incidents through the DDD's incident management system, at which point staff enter the information into the DDD's licensing database. The Regulatory Support Unit has an internal goal of 30 days to follow up on the status of the incidents after notification. Once the investigation is complete and all of the required documentation is received, regulatory support unit staff document the outcome of the incident investigation and disposition in the licensing database. DDD management reported that the most common incidents monitored involve member rights violations, inadequate supervision of members, or inappropriate use of discipline with members. The Regulatory Support Unit reported that it monitored 582 incidents involving DDD-regulated entities during fiscal year 2016 and July through December 2016 and that on average, incidents were open a total of 58 days.³⁵
- The Office of Administrative Review conducts administrative reviews of disputed department decisions relating to DDD provider claims, member eligibility, and the termination of or reduction in services. Administrative review staff are required to complete a review and provide a written decision within 30 calendar days of receiving the review request. According to office of administrative review management, the most common administrative review requests involve denial of eligibility related to autism and reduction of services. Management also reported that administrative reviews are generally conducted timely, and when they are not, it is typically due to families continuing to provide supporting documentation or asking for extensions, thus extending the review period. According to office of administrative review data, 2,394 of the 2,784 requests for reviews, or 86 percent, received during fiscal year 2016 and July through December 2016 were completed by the Office of Administrative Review within the established time frame. Office of administrative review management reported that there was a significant backlog of administrative reviews as of June and December 2016 due to the limited availability of medical reviewers. However, management also reported that the DDD retained contracted physicians to assist with the backlog and as of June 2017, there were only 26 untimely reviews.

The Department's Office of the Inspector General (OIG) also investigates and resolves complaints and adjudicates disputes related to department programs. Specifically, the OIG:

- Conducts internal affairs investigations involving fraud, waste, abuse, and misconduct by department employees and contractors. It also investigates allegations of fraud involving recipients of public assistance and unemployment insurance, and child care providers, as well as trafficking of SNAP benefits. The OIG has established internal goals for completing its investigations, which range from 60 days for an internal affairs investigation to 120 days for an investigation of child care provider fraud.

³³ DDD quality management unit staff review incidents every day, so any priority 1 or 2 incidents needing fact-finding would be moved to the top of the list for entry into the incident tracking system. In addition, the Quality Management Unit's management is considering some changes to timeliness tracking, including routinely capturing and reporting fact-finding timeliness to help ensure that the process is being initiated and completed within established time frames.

³⁴ According to DDD personnel, if a minor incident is received, DDD staff will investigate the incident to determine if there is any validity to the allegations, enter the findings into its licensing database, and notify the complainant of the outcome.

³⁵ The number of days an incident is open represents the time from the date the Regulatory Support Unit is first notified of the incident until it closes the incident.

According to OIG management, these goals have not been met, in part, because of situations out of their control such as locating people to interview and waiting on banks and employers to provide needed documentation. OIG management reported that a significant challenge it faces is the high volume of work in comparison to available staffing. For example, OIG data indicates that during fiscal year 2016 and July through December 2016, the OIG received nearly 17,000 fraud and internal affairs referrals and completed about 13,050 investigation cases. As of March 2017, it had a backlog of approximately 3,300 cases awaiting investigation.³⁶

- Adjudicates disputes of decisions affecting client eligibility, and adverse actions taken against contractors, clients, and employees involving department programs through its appellate services administration (administration). The administration incorporates two levels of review. The first level of review is through the Office of Appeals, where a department administrative law judge will conduct an administrative hearing to arrive at a decision on the disputed issue. If the individual is not satisfied with the decision, he/she can request a second level of review by the Appeals Board, which determines whether the administrative law judge made the correct decision based upon the law and the evidence.³⁷ According to administration data, 26,522 of the 52,790 requests for review by the Office of Appeals, or approximately 50 percent, that were disposed of in fiscal year 2016 and July through December 2016, were disposed within time frames established in rules or U.S. Department of Labor performance expectations.³⁸ All matters decided by the Appeals Board are appealable to either the Arizona Court of Appeals or the Arizona Tax Court.³⁹ Despite being untimely for approximately 50 percent of its Office of Appeals reviews, administration management reported that it had no review backlog as of June 2017. The administration reported that they were able to eliminate the backlog by increasing the number of scheduled hearings before a department administrative law judge and implementing a process to “short-notice” when the individual appealing the decision agreed to waive their right to a 10-day business notice so that they could be moved up to an available open hearing slot.

The Department is also required to receive, investigate, and resolve complaints against certified child care home providers. However, a 2017 Auditor General performance audit of the Department’s child care services found several weaknesses with the process, including the lack of a centralized log for recording key complaint information, such as the date, time, and place of an incident; and the complainant’s contact information (see Report 17-103). Without such a log, the Department is at risk for some complaints not being documented, investigated, and/or resolved, and it cannot easily track complaints or analyze trends. Additionally, although the Department’s complaint-handling policy indicates that inspectors should conduct on-site investigations for specific complaints and may interview pertinent individuals, the policy does not specify what investigative activities are required, such as what type of documentation should be obtained and reviewed. The policy also does not include adequate guidance regarding what disciplinary actions should be taken based on the violations found or how to follow up with providers and complainants. The audit made several recommendations to address the complaint-handling weaknesses, including recommending that the Department modify its data system to capture complaint information and develop and implement policies and procedures for complaint investigations, enforcement processes, and follow-up activities.

³⁶ Backlogged cases are ones that have not yet been opened for an investigation.

³⁷ The Appeals Board consists of three members selected by the Department Director.

³⁸ The data on requests for hearings and timeliness by the Office of Appeals in fiscal year 2016 and July through December 2016 concerned the four largest appeal type areas—unemployment insurance, SNAP, cash assistance, and AHCCCS eligibility determinations—and represented approximately 99 percent of requests for hearings during that time period. According to administration data, approximately 85 percent of the untimely dispositions were between 1 and 30 days late.

³⁹ In early 2017, the administration learned that it had several backlogged cases that had been heard by the Appeals Board and were to be sent to the Arizona Court of Appeals or the Arizona Tax Court for judicial review. According to the Department, this backlog resulted from weak oversight and the deliberate actions of one employee who hid and mischaracterized the applications received for judicial review. According to the Department, this has since been addressed through the development of a new assignment of duties, a simplified process flow, and a new audit process to ensure cases are moved through the process in an appropriate and timely manner.

7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.

A.R.S. §41-192(A)(1) requires the Attorney General to act as the Department's legal advisor and to provide all the legal services the Department requires. In addition, the Department's enabling statute, A.R.S. §46-133, authorizes the Attorney General to act as its attorney, meaning that the Attorney General has the authority to represent and defend the Department in matters pertaining to all of the programs it administers. Finally, the Attorney General, as well as the appropriate county attorney, have concurrent jurisdiction to prosecute individuals who have committed fraud as well as other criminal acts against the Department, such as the unlawful use of food stamps or unemployment insurance, as well as welfare fraud.

8. The extent to which the Department has addressed deficiencies in its enabling statutes that prevent it from fulfilling its statutory mandate.

According to the Department, several statutory changes were enacted during 2016 and 2017 that clarify the Department's statutes, add statutory authority, or conform statutes to federal laws. These changes include:

- **Laws 2016, Ch. 286**—This law primarily amended statutes relating to the Department's program for people with developmental disabilities in foster care homes. Specifically, this legislation requires foster homes licensed by the DCS to apply for certification with the Department as a child developmental certified home if either of the following situations apply: 1) the DCS places a foster child with a developmental disability in a foster home, or 2) the Department determines that a foster child in a foster home has a developmental disability, after the child has been placed in the foster home.⁴⁰
- **Laws 2016, Ch. 21**—This law amended A.R.S. §46-201 by removing the requirement that public assistance applicants must have a witness for their signature and allowing the Department to accept electronic signatures. According to the Department, this allows the Department to develop online applications for individuals applying for child support services.⁴¹
- **Laws 2016, Ch. 185**—This law made several changes to the Department's Unemployment Insurance program. These changes included clarifying work search requirements to specify that a claimant must have at least one job contact per day for 4 days of the week and reestablishing an exemption for employers from submitting quarterly unemployment insurance taxes or contributions that are less than \$10.00. Additionally, this law eliminated the requirement for a second review by the Appeals Board before a dissatisfied party can apply for review by the judicial system (see page 21 for more information on this Board and the appeals process). According to the Department, Arizona was the only state in its region to have an appeals board review its own decisions.⁴²
- **Laws 2016, Ch. 290**—This law amended statutes relating to electronic benefit transfer (EBT) cards to remain in compliance with federal legislation regarding the TANF block grant.⁴³ This legislation established a class 1 misdemeanor for the unlawful use of EBT cards at specific locations. Specifically, this law makes it a class 1 misdemeanor for liquor stores, commercial horse racing or dog racing facilities, and adult-oriented entertainment establishments to operate an automatic teller machine or point of sale device that accepts EBT cards. In addition, this law makes it a class 1 misdemeanor for the head of household receiving TANF cash benefits to use an EBT card at prohibited businesses, such as a casino or liquor store, and adds medical marijuana dispensaries to that list.

⁴⁰ According to the Department, this provides a child-specific certification to foster families who are caring for a child who is eligible to receive services from the DDD. This legislation contains a provision that the child development certification terminates when the child with developmental disabilities leaves the foster home or is adopted by the foster parents.

⁴¹ The Department has online applications for the AHCCCS, SNAP, and TANF programs.

⁴² Arizona is within the U.S. Department of Labor's Region 6, which includes a total of eight states. In addition to Arizona, Region 6 includes Alaska, California, Hawaii, Idaho, Nevada, Oregon, and Washington.

⁴³ The U.S. Department of Health and Human Services, Administration for Children and Families, provides the TANF block grant to states to assist low-income families and support a range of services to improve employment and other child and family outcomes.

- **Laws 2016, Ch. 187**—This law amended statutes relating to child care assistance by modifying the eligibility review period to be no more than once a year. This change was needed to ensure Arizona’s compliance with federal requirements for the federal Child Care and Development Block Grant (CCDBG).⁴⁴ Specifically, this legislation changed how often the Department reviews each case to determine eligibility for child care assistance to no more than once a year. According to the Department, this allows families to continue to receive child care subsidies for their current eligibility period when their income exceeds 165 percent of the federal poverty level, but does not exceed 85 percent of the state median income. The Department also noted that without this legislation, Arizona would not have been in compliance with CCDBG requirements and could have faced a 5 percent withholding of CCDBG funding. The Department estimated that a 5 percent withholding in federal fiscal year 2017 would have totaled more than \$6 million and would have decreased the subsidy available for approximately 1,500 children.
- **Laws 2016, Ch. 20**—This law amended A.R.S. §13-3701 by updating state law to reflect the federal definition of eligible food in the SNAP program and clarifying unlawful use of SNAP benefits. Specifically, this law made it a class 5 felony to buy, sell, transfer, acquire, or redeem food stamps or eligible food purchased with food stamps in exchange for items other than eligible food. According to the Department, this will assist the Department’s OIG, as well as prosecuting entities, in pursuing criminal prosecution of trafficking of SNAP benefits.
- **Laws 2017, Ch. 15**—This law established some standard time frames for unemployment insurance appeals and extended the due date for employers submitting unemployment insurance voluntary payments. Additionally, this legislation requires interest on all benefit overpayment debts to accrue at 10 percent per year but allows the Department to waive a portion of accrued interest on a benefit overpayment debt when good cause is shown.
- **Laws 2017, Ch. 183**—This law amended statutes relating to family support to establish a noncommercial restricted driver license as an alternative legal remedy for the willful failure to pay child support for at least 6 months. The restricted driver license allows noncustodial parents to drive to employment, medical appointments, school, and parenting time locations. According to the Department, this will increase the chances that the individual can maintain employment and, in turn, provide support for their children.
- **Laws 2017, Ch. 317**—This law repealed A.R.S. §§46-217 and 46-218, which required the Department to establish a finger-imaging program to help prevent an individual from enrolling in the SNAP or TANF programs multiple times.

9. The extent to which changes are necessary in the laws of the Department to adequately comply with the factors listed in this sunset law.

The performance audits conducted as a part of the Department’s sunset review (see Reports 17-101, 17-103, 17-104, and 17-109) did not identify any needed changes to the Department’s statutes.

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

Terminating the Department would affect the public health, safety, or welfare if its functions were not transferred to another agency. The Department is responsible for helping protect and provide critical assistance services to some of Arizona’s most vulnerable children, adults, and families, such as child support enforcement services, which help reinforce the responsibility of parents to provide financially for their children; the SNAP or TANF programs, which provide food-purchasing support and cash assistance for low-income families or households; and adult protective services, which investigates allegations of abuse, neglect, or exploitation of vulnerable or incapacitated adults. The Department also provides supportive services to individuals with developmental disabilities, such as assistance with daily life activities and speech therapy, as well as vocational rehabilitation services to help individuals with disabilities prepare for, enter, or retain gainful

⁴⁴ The U.S. Department of Health and Human Services, Administration for Children and Families, provides the CCDBG to states to help provide child care assistance to low-income families.

employment. See the Introduction, pages 1 through 3, for more information about these programs. If the Department were terminated without these programs and services being provided by another agency, abuse, neglect, and exploitation of the elderly and individuals with disabilities could go unreported and untreated, resulting in harm to individuals. As reported in Sunset Factor 1 (see page 9), all states have one or more human services agencies that provide services to its citizens that are similar to the services the Department provides. Further, according to the Department, its integrated structure improves the coordination and delivery of human services by providing access to an array of programs and services through a single state agency. The Department reported serving approximately 3 million Arizonans as of July 2017.

11. The extent to which the level of regulation exercised by the Department compares to other states and is appropriate and whether less or more stringent levels of regulation would be appropriate.

Although the Department's primary function is administering a broad range of human services programs that promote public health, safety, and welfare, the Department has regulatory authority in four areas: the Business Enterprise Program, the Child Care Services program, developmental homes, and home- and community-based services (see textbox for more information about these four areas). The Department appears to exercise an appropriate level of regulation in the areas where it has regulatory authority when compared to the two other states reviewed, Nevada and Washington.⁴⁵ For example, for child care services, Arizona, Nevada, and Washington all license or certify child care homes, have similar license and/or certification requirements such as requiring a background check of the applicant, and conduct at least one monitoring inspection annually of the child care home. However, the Department and the DHS share responsibility for child care regulation

Department's four regulatory areas

Business Enterprise Program (BEP)—The BEP provides legally blind persons the opportunity to become independent entrepreneurs through the operation of vending facilities on federal and other property. The Department licenses individuals before they are assigned to operate a vending facility. To become licensed, an individual must have a referral from a department vocational rehabilitation counselor, undergo a background check, and successfully complete the Department's required training.

Child Care Services program—Through this program, the Department provides a child care subsidy for eligible families. This subsidy can be used to cover child care costs at child care providers the Department or the DHS regulate. Regulation involves activities such as fingerprint background checks, home inspections, and ongoing monitoring of child care providers (see Auditor General Report 17-103 for more information about the Department's Child Care Services program).

Developmental homes—In Arizona, these homes are family homes where a licensed caregiver provides full-time care and supervision for up to three individuals with developmental disabilities. The Department is required to license these homes before an individual with developmental disabilities can be placed in the home. To become licensed, a developmental home license applicant must undergo a background check and attend preclosure training, and their home must undergo an inspection (see Auditor General Report 17-109 for more information on the Department's oversight of monitoring agencies that oversee developmental home licensees).

Home- and community-based services (HCBS)—These services provide help and/or training with daily activities that allow many individuals with developmental disabilities to remain in their own homes or live with their families. HCBS include such things as attendant care, home health aide, hospice care, and respite services. The Department is responsible for certifying individuals and agencies that provide HCBS. Certification requires undergoing a fingerprint background check, taking both CPR and first-aid training, and providing documents such as letters of references and liability insurance (see Auditor General Report 17-109 for more information on the Department's certification process for individuals and agencies that provide HCBS).

Source: Auditor General staff review of statutes, administrative rules, and information from the Department's website.

⁴⁵ For information on how these states were selected, see Appendix A, pages a-1 through a-2.

in Arizona, and the Department should work with the DHS to examine the costs and benefits of consolidating their child care regulatory functions (see Auditor General Report 17-103 for more information).

Also, all three states license developmental homes and require a background and/or fingerprint check when someone is applying for a developmental home license. Although the Department's level of regulation for developmental homes appears appropriate, auditors determined that the Department should enhance its oversight of the contracted agencies that assist in monitoring and training developmental home licensees by establishing qualifications for, clarifying responsibilities of, and improving its oversight of the contracted agencies (see Auditor General Report 17-109 for more information).

12. The extent to which the Department has used private contractors in the performance of its duties as compared to other states and how more effective use of private contractors could be accomplished.

Auditors found that the Department uses private contractors to fulfill several of its client service duties. In fiscal year 2016, the Department spent about \$1.6 billion, or 75 percent, of its client service funding on approximately 5,400 contracts for services and goods. Specifically:

- **DAAS**—DAAS, which serves at-risk and older adults, contracted for various services and goods, including shelter and permanent housing assistance for homeless people and victims of domestic violence, rent and utility assistance to households experiencing financial crises, case management and employment assistance to refugees new to the United States, food boxes for families in need of food, and over 40 services to adults 60 years and older. According to department data and documents, DAAS spent about \$100 million, or 84 percent of its funding, on approximately 130 contracts for services and goods in fiscal year 2016.
- **DBME**—DBME, which assists low-income families with temporary cash and/or nutrition assistance, contracted for various services and goods, including direct deposit and debit card services for SNAP; physicians to help determine eligibility for the Social Security Disability Insurance and Supplemental Security Income programs; a call center to assist callers with questions about their applications for nutrition, cash, and medical assistance; and an integrated system to process eligibility enrollment for nutrition, cash, and medical assistance. According to department data and documents, DBME spent about \$99 million, or 32 percent of its funding, on approximately 140 contracts for services and goods in fiscal year 2016.
- **DCSS**—The DCSS, which helps custodial parents identify and obtain financial resources from noncustodial parents, contracted for various services and goods, including genetic paternity testing, centralized child support payment processing, attorneys and legal process servers, parent locating tools, new hire reporting to verify employment and income for child support obligors, financial institution data matches, and online forms. According to department data and documents, the DCSS spent about \$13 million, or 22 percent of its funding, on approximately 40 contracts for services and goods in fiscal year 2016.
- **DDD**—The DDD, which provides supportive services to individuals with developmental disabilities and their families, contracted for various services and goods, including center-based and group-supported employment, day treatment and training, habilitation, nursing, therapies, transportation, attendant care, goods and services for state-operated group homes and facilities, and eligibility determination and information and referral for the Arizona Early Intervention Program.⁴⁶ According to department data and documents, the DDD spent about \$1.1 billion, or 84 percent of its funding, on approximately 2,330 contracts for services and goods in fiscal year 2016.
- **DERS**—DERS, which provides a range of employment and job training services and supports to assist individuals achieve long-term and gainful employment, contracted for various services and goods,

⁴⁶ Center-based employment is a setting where participants are engaged in paid work and work-related activities with little or no interaction with the general community. Group-supported employment provides participants with an on-site supervised work environment that allows for maximum interaction with other coworkers or the general community.

including workforce employment and training programs, career exploration/supported education, vocational assessment, psychology assessment/therapy, rehabilitation instructional services, home modifications, child care provider training, child care resource and referral services, child care home recruitment services, and child care providers. According to department data and documents, DERS spent about \$283 million, or 85 percent of its funding, on approximately 2,780 contracts for services and goods in fiscal year 2016.

In addition to these contracts, the Department also contracted for several business functions. These contracts included mailroom services, office supply delivery, specialized printing, office-moving services, and telephone systems. In addition, the Department purchased from state-wide contracts established by the Arizona Department of Administration's State Procurement Office. These contracts were established for the benefit of government entities throughout Arizona and include items such as vehicles, furniture, computers, network cabling, temporary staffing, and office supplies

Auditors contacted state-level human services agencies in two states, Nevada and Washington, and found that the Department generally used contractors for similar purposes as the human services agencies in these states.⁴⁷ For example, like Arizona, both Nevada and Washington contract for home- and community-based services for the elderly and individuals with disabilities who need assistance to obtain and maintain employment and/or live independently in their community. Additionally, similar to Arizona, Nevada and Washington also contract for a variety of child support services, including insurance claim and financial institution data matches to help collect past-due child support and genetic testing to establish paternity.⁴⁸

According to information provided by Nevada's and Washington's human services agencies, they spent approximately 19 percent and 74 percent, respectively, of their fiscal year 2016 funding on contracted services and goods in several client service areas.⁴⁹ Similar to Arizona, the two states' percentages of fiscal year 2016 funding spent for contracted services and goods varied by client service area. For example, Washington's human services agency spent 92 percent of its \$2.1 billion in aging and long-term care support services funding on contracted services and goods and 33 percent of its \$197 million in rehabilitation services funding on contracted goods and services. Nevada's percentage of expenditures for contracted services and goods also varied by client service area.

The audit did not identify other opportunities for the Department to use private contractors.

Recommendations

- 1.1. Because of the existing moratorium on state agencies' rulemaking, the Department should:
 - a. Continue with its efforts to determine whether and when it can proceed with rulemaking to establish rules for the ABLE program; and
 - b. Continue with its efforts to determine whether and when it can proceed with rulemaking to establish rules for the long-term care ombudsman program (see Sunset Factor 4, pages 14 through 15, for more information).

⁴⁷ For information on how these states were selected, see Appendix A, pages a-1 through a-2.

⁴⁸ Insurance matches help states collect past-due child support by comparing information about the delinquent obligor with information maintained by insurers or their agents about upcoming insurance claims, payments, settlements, and awards for which the obligor is eligible. If the state chooses to act on the match, it can request the insurer withhold the payment. Financial institution matches are also used to help states collect past-due child support by identifying accounts belonging to the delinquent child support obligors and then freezing and seizing the accounts.

⁴⁹ Nevada's client service areas were the Aging and Disability Services Division, Division of Child and Family Services, Division of Health Care Financing and Policy, Division of Public and Behavioral Health, and Division of Welfare and Supportive Services. Washington's client service areas were the Aging and Long-Term Support Administration, Behavioral Health Administration, Children's Administration, Developmental Disabilities Administration, Economic Services Administration, and Rehabilitation Administration.

- 2.1. To help ensure that the councils, boards, and committees the Department staffs consistently comply with the State's open meeting law requirements, the Department should:
- a. Develop and implement policies and procedures regarding staff responsibilities for helping to ensure that the councils, boards, and committees comply with the open meeting law, including how it will oversee staff's adherence to these policies and procedures. These policies and procedures should reflect staff responsibilities such as posting a statement on the website where councils', boards', and committees' meeting notices will be posted and providing meeting minutes within 3 working days of the meeting.
 - b. Develop and implement training for all department staff who provide support to the councils, boards, and committees based on its open meeting law policies and procedures. This training should cover policies and procedures for complying with all open meeting law requirements as outlined in statute, explain the staff's responsibilities for helping the councils, boards, and committees meet these requirements, and be provided to appropriate department staff on a regular basis (see Sunset Factor 5, pages 15 through 16, for more information).



Methodology

The Arizona Department of Economic Security's (Department) performance was analyzed in accordance with the statutory sunset factors. Auditors used various methods to address the sunset factors. These methods included gathering information on the Department's statutory duties and responsibilities; filled staff positions; revenues and expenditures; and contracts. Auditors also reviewed applicable statutes and rules; information from the Department's website; information from the Department's fiscal year 2016 annual report; and other department documentation. In addition, auditors interviewed department management and staff.

Further, performance audit work provided information for this report. That work related to the Department's processes for managing its Vocational Rehabilitation Services Program's rehabilitation service costs and clients' progress (see Report 17-101); its child care provider monitoring and complaint-handling processes (see Report 17-103); its processes for safeguarding its information technology systems and the data contained in them (see Report 17-104); and its lack of qualification requirements for and oversight of contracted agencies that train and monitor developmental homes licensees who provide a residential setting for individuals with developmental disabilities (see Report 17-109).

Auditors also used the following additional methods:

- To assess the efficiency with which the Department has operated, auditors observed a training held on the Arizona Management System for department employees in April 2017. Additionally, auditors reviewed and summarized the Department's breakthrough projects and its performance metrics from September 2016 through April 2017. Auditors also reviewed caseload data from the Adult Protective Services (APS) from July 2015 through February 2017 and obtained information from APS management on the efforts taken to reduce caseloads.
- To assess the Department's compliance with the State's open meeting law requirements, auditors reviewed a sample of public meetings held between February and May 2017 for all 11 councils, boards, and committees for which the Department is responsible for ensuring compliance with the open meeting law. Specifically, auditors tested 5 of the 11 councils, boards, and committees for compliance with multiple open meeting law requirements, including posting meeting notices and agendas 24 hours prior to meetings on their websites and in any specified physical locations, following the posted agenda, and making meeting minutes available within 3 working days of the meeting. Auditors also attended one public meeting for each of these councils, boards, and committees. Further, auditors tested the remaining 6 of 11 councils, boards, and committees for compliance with posting meeting notices and agendas 24 hours prior to the meetings on their website and in any specified physical locations.
- To assess the Department's effectiveness in resolving complaints within its jurisdiction, auditors obtained metrics on the number of complaints received, the number resolved within required or internal time frames, and complaint backlogs for fiscal year 2016 and July through December 2016 for department client service divisions and offices. Specifically, auditors obtained metrics from the Division of Benefits and Medical Eligibility; the Division of Child Support Services; the Division of Developmental Disabilities; the Office of the Inspector General; and the Ombudsman's Office.
- To compare the Department's regulatory activities and use of private contractors with other states, auditors contacted state-level human services agencies in two western states—Nevada and Washington—based on similarities to Arizona in the other states' overall mission/purpose, services, number of staff, and percentage

of the population served. The states were requested to provide information on their regulatory responsibilities, client services, and use of contractors in client service areas. Auditors reviewed this information, in addition to the states' statutes, administrative rules, and websites.

- To assess the Department's use of private contractors, auditors reviewed and analyzed unaudited expenditure data provided by the Department to determine the amount of state and federal monies the Department spent on services and goods in fiscal year 2016. Additionally, auditors reviewed and summarized contract information compiled by the Department's client service divisions on the types and numbers of contracts used in fiscal year 2016.
- To obtain information for the report Introduction, auditors obtained data on services provided by the Department's five client service divisions during fiscal year 2016 and July through December 2016. Additionally, auditors compiled and analyzed unaudited financial information provided by the Department as of June 19, 2017, for fiscal years 2015 through 2017.
- Auditors' work on internal controls was limited and focused on the Department's processes for ensuring that it helps the 11 councils, boards, and committees that it supports comply with the State's open meeting law, such as posting meeting notices and agendas 24 hours prior to their meetings and making the meeting minutes available to the public within 3 working days of the meeting (see Sunset Factor 5, pages 15 through 16). Conclusions on this work are included in the response to Sunset Factor 5. Computerized system information was not significant to auditors' objective; therefore, auditors did not conduct test work on information system controls.

Auditors conducted this audit 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.

The Auditor General and staff express appreciation to the Department's director, management, and staff for their cooperation and assistance throughout the audit.

AGENCY RESPONSE



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

Douglas A. Ducey
Governor

Michael Traylor
Director

SEP 13 2017

Ms. Debra K. Davenport, Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport,

The Arizona Department of Economic Security (ADES) appreciates the opportunity to provide a response to the Sunset Factors Audit conducted by your office that was received on September 6, 2017. The Department is committed to continuous quality, improvement, transparency, and accountability.

Enclosed is the Department's response to your findings and recommendations. We look forward to sharing our progress in implementing these recommendations.

Sincerely,

Michael Traylor
Director

Enclosures: ADES Sunset Factors Audit Response

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

Recommendation 1.1: Because of the existing moratorium on state agencies' rulemaking, the Department should:

Recommendation 1.1a: Continue with its efforts to determine whether and when it can proceed with rulemaking to establish rules for the ABLE program; and

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The ABLE Oversight Committee and Executive Director were appointed in 2017. The Department will seek a rulemaking moratorium exception to establish rules for the ABLE program during the second quarter of SFY 2018.

Recommendation 1.1b: Continue with its efforts to determine whether and when it can proceed with rulemaking to establish rules for the long-term care ombudsman program (see Sunset Factor 4, pages 14 through 15, for more information).

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Department will seek a moratorium exception to establish rules for the long term care ombudsman program in the second quarter of SFY 2018.

Sunset Factor 5: The extent to which the Department has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

Recommendation 2.1: To help ensure that the councils, boards, and committees the Department staffs consistently comply with the State's open meeting law requirements, the Department should:

Recommendation 2.1a: Develop and implement policies and procedures regarding staff responsibilities for helping to ensure that the councils, boards, and committees comply with the open meeting law, including how it will oversee staff's adherence to these policies and procedures. These policies and procedures should reflect staff responsibilities such as posting a statement on the website where councils', boards', and committees' meeting notices will be posted and providing meeting minutes within 3 working days of the meeting.

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Department will develop and implement policy addressing Open Meeting Law requirements and the specific procedures necessary to ensure staff compliance. The policy will ensure staff are aware of all public notification requirements for meetings, agendas, and minutes. The policy will identify a Department Open Meeting Coordinator to track compliance.

Recommendation 2.1b: Develop and implement training for all department staff who provide support to the councils, boards, and committees based on its open meeting law policies and procedures. This training should cover policies and procedures for complying with all open meeting law requirements as outlined in statute, explain the staff's responsibilities for helping the councils, boards, and committees meet these requirements, and be provided to appropriate department staff on a regular basis (see Sunset Factor 5, pages 15 through 16, for more information).

Department Response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The Department has contacted the Staff Attorney with the Arizona Citizens Aide Ombudsman Office and confirmed the availability of Open Meeting Law training. Training will be provided to all DES staff responsible for providing support to councils, boards, and committees. The training will address the legal requirements of the Open Meeting Law and will be provided on a regular basis for existing staff, and to new staff as needed, which provide support to councils, boards and committees.

