

Department of Economic Security Division of Developmental Disabilities ALTCS Contract

CONCLUSION: Based on our audit, we issued an opinion on the Department of Economic Security (Department), Division of Developmental Disabilities (Division), Arizona Long Term Care System (ALTCS) Contract's financial statements for the 15 months ended September 30, 2019¹, concluding that the information in those statements is reliable. We also issued a report over the Division's internal control and on compliance over financial reporting, which identified internal control findings and recommendations over financial reporting that are explained on the next page.

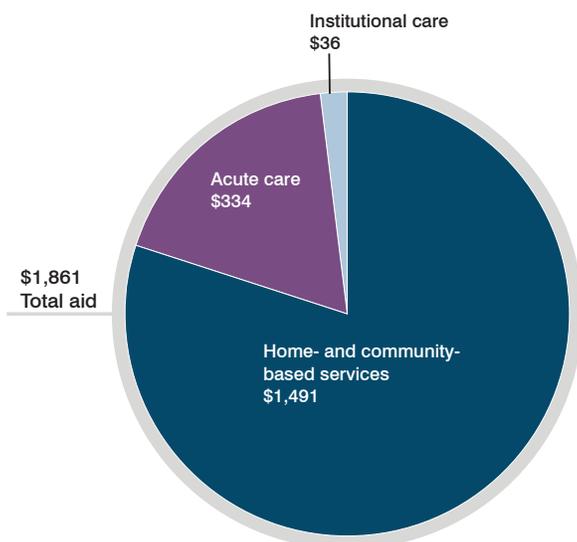
Division is a contractor with Arizona's Medicaid agency

The Division is a contractor with the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid agency. The Division administers a managed-healthcare plan through the ALTCS Contract and provides medical services and long-term healthcare services to eligible enrollees of the AHCCCS program who are developmentally disabled. The Division's ALTCS Contract requires that it provide all covered healthcare services to eligible enrollees regardless of the cost of care. AHCCCS pays the Division's premiums based on a set amount for each eligible enrollee, also known as capitation payments. For the 15-month period ended September 30, 2019¹, the Division received over \$2.1 billion from AHCCCS and provided approximately \$1.8 billion in aid for eligible enrollees as shown in the chart below. The Division's ALTCS Contract's Annual Financial Report should be read to fully understand its financial information.

Division provided aid for eligible enrollees

Aid provided for eligible enrollees by aid type 15 Months Ended September 30, 2019

(In millions)



Aid type definitions

Home- and community-based services

Care for enrollees in State- and vendor-operated group homes and adult developmental homes, and through home-based services.

Acute care

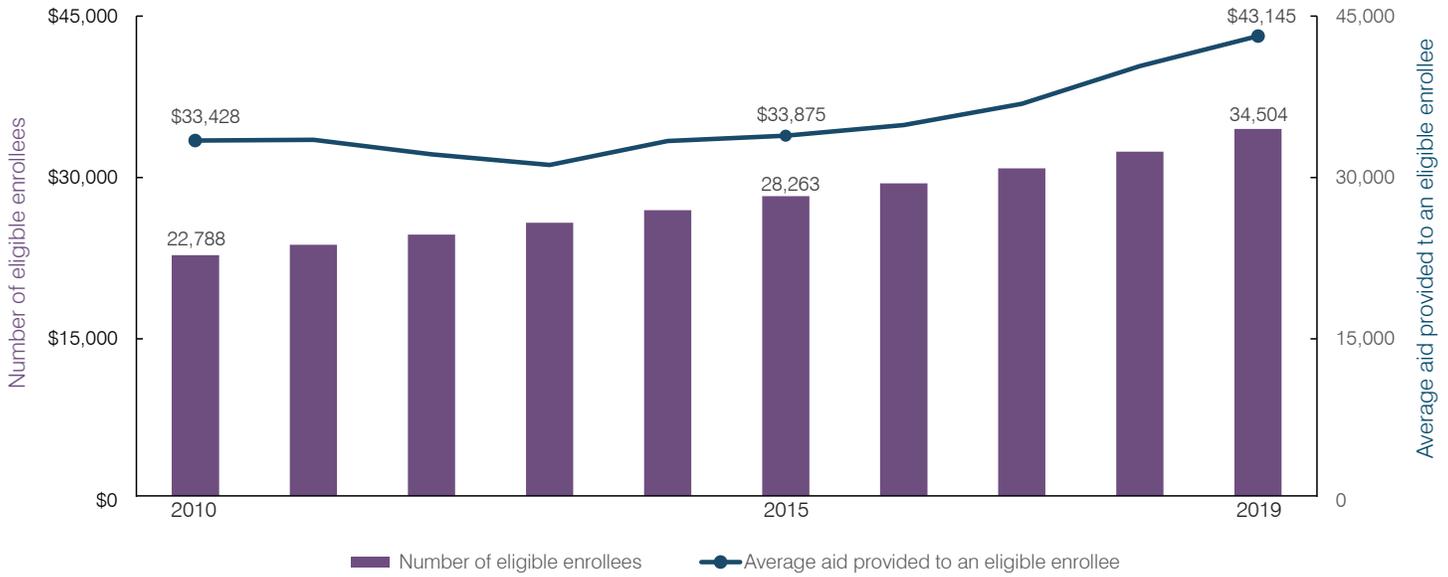
Medical services not included in the other 2 aid types, such as hospital stays for an illness or surgery, doctor visits for various medical needs, or emergency room services.

Institutional care

Skilled nursing, institutional care, and intermediate care for enrollees who are intellectually or developmentally disabled.

¹ The Division's ALTCS Contract's financial statements year-end changed from June 30 to September 30 as directed by AHCCCS. Therefore, this 2019 report includes the additional 3 months to extend the report date. In subsequent years, the reports will be for 12 months ending on September 30.

Average aid provided to an eligible enrollee and number of eligible enrollees Fiscal years 2010 through 2019



Source: Auditor General staff summary of information obtained from the Division's ALTCS Contract's Annual Financial Report and the Division's enrollee data.

Audit findings and recommendations

Financial reporting internal controls

Financial findings and recommendations

We found that the Division needed improvements in certain controls over its financial statement preparation and information technology (IT) and reported 3 findings. Specifically, the Division lacked adequate policies and procedures to accurately report information in its financial statements and note disclosures and, consequently, initially overstated certain revenues by more than \$16.9 million, understated certain expenditures by more than \$13.2 million, and overstated cash on deposit with the State Treasurer by more than \$13 million. Additionally, the Department as a whole lacked adequate policies and procedures over its IT systems and data to adequately identify and respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss, including protecting sensitive data maintained for the Division's ALTCS Contract. We have reported similar IT security findings since fiscal year 2015. To obtain more information about these findings and recommendations and the Department's and Division's response, our full report on internal control and compliance is available within the [Annual Financial Report](#) starting on page 17.