

Department of Economic Security Division of Developmental Disabilities ALTCS Contract Annual financial statement audit

The fiscal year 2022 financial information the Division reported in its Arizona Long Term Care System (ALTCS) Contract's financial statements is reliable. However, we reported deficiencies over financial reporting, summarized on the next page.

Audit's purpose

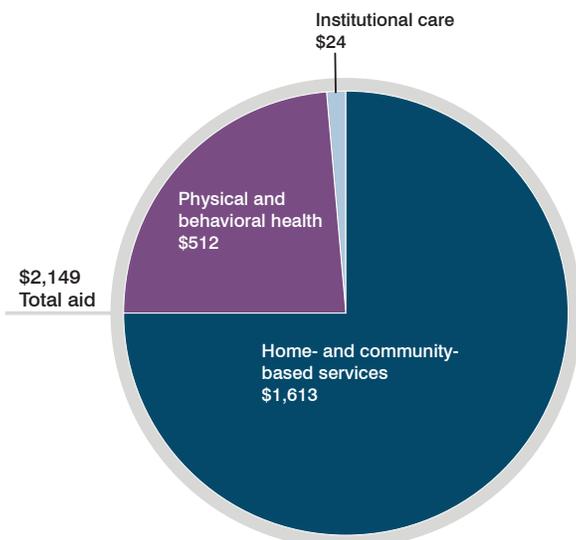
To express our opinion on the Division's ALTCS Contract's financial statements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

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 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 year ended September 30, 2022, the Division received over \$2.4 billion from AHCCCS and provided approximately \$2.1 billion in aid for eligible enrollees as shown in the chart below. The ALTCS Contract's Annual Financial Report should be read to fully understand its financial information.

Aid provided for eligible enrollees by aid type Year ended September 30, 2022

(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.

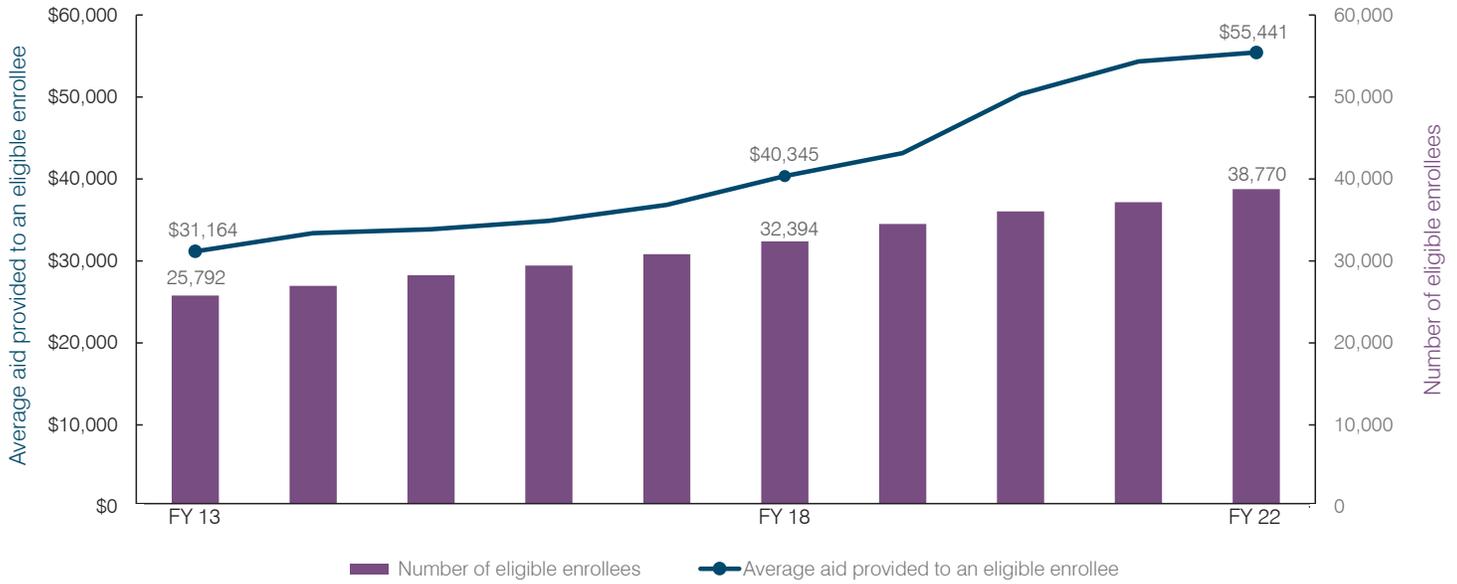
Physical and behavioral health

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.

Average aid provided to an eligible enrollee and number of eligible enrollees Fiscal years (FY) 2013 through 2022¹



¹ The ALTCS Contract's financial statements fiscal year-end changed from June 30 to September 30 beginning with the 2019 report as directed by AHCCCS. This resulted in the FY 19 financial statements including 15 months of financial activity. Therefore, we averaged the figure's data for FY 19 so that it would be comparable with all other fiscal years representing 12 months' financial activity.

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

Auditor findings and recommendations

Summarized below are our findings and recommendations included in the ALTCS Contract's [Annual Financial Report](#) where there is further information and the Division's responses.

- The Department of Economic Security, which manages the IT systems and data the Division uses, needs to continue to develop, document, and implement effective policies and procedures over its information technology (IT) systems and data to identify and respond to risks and to prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss of IT systems and data, including financial and sensitive information. We found that the Department's control procedures over IT systems and data were not sufficient, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. We reported similar findings in prior years.
- The Division needs to allocate sufficient employees to prepare key financial information for audit in time to ensure it provides timely financial statements for AHCCCS, State legislators, federal grantors, and other stakeholders and meets its contractually required financial reporting deadlines. We found that the Division provided key financial information 19 days after its contractual requirement to submit its audited draft financial statements to AHCCCS. Therefore, the Division issued its Annual Financial Report 7 months after fiscal year-end, which is 2 months later than contractually required.

Auditor General website report links

- The September 30, 2022, Department of Economic Security, Division of Developmental Disabilities, ALTCS Contract, Annual Financial Report that is summarized in these highlights can be found at this [link](#). This report should be read to fully understand the ALTCS Contract's overall financial picture and our reporting responsibilities.
- The ALTCS Contract's reports from prior years are available at this [link](#).