

## We make a positive difference

We help government work better by analyzing governmental operations and recommending improvements. In fiscal year 2023, we issued 185 audits, reviews, investigations, alerts, and followups with 661 recommendations.

### Performance audits and sunset reviews

14 reports | 174 recommendations

These audits and reviews assess how governmental entities such as State agencies and school districts are performing—that is, how well they are fulfilling statutory mandates and serving Arizona. Sunset reviews help the Legislature decide whether to continue or terminate (“sunset”) an agency. We include recommendations to guide entities so they can better serve the public.

### Followups

69 followups

After issuing performance audits and sunset reviews, we follow up with governmental entities at regular intervals to assess the status of our recommendations and issue follow-up reports showing implementation progress. We conduct regular followups within the first 2 years of report issuance and, in some instances, may follow up for several years.

**Agency/school district recommendations implemented: 85%**

### Financial investigations and alerts

11 reports | 19 recommendations

Financial investigations occur when we receive allegations that public officials or government employees have potentially committed criminal violations, such as theft, fraud, misuse of public monies, and conflict of interest. We review these allegations, and if we uncover potential criminal violations, we submit our findings to prosecutors for independent reviews. After the prosecutor files a criminal indictment or complaint, we issue public reports with this information. We also help protect public monies by issuing timely fraud prevention alerts designed to help government deter and detect fraud.

### Financial and federal compliance audits

42 reports | 462 recommendations

These annual audits help ensure State agencies, universities, community college districts, and counties properly spend, account for, and report public monies that totaled more than \$76.9 and \$68.9 billion in revenues and expenses in fiscal year 2023, respectively. Federal compliance audits also help ensure federal monies are being used in accordance with federal requirements, including federal monies allocated to the State for COVID-19 response and relief efforts.

### Accountability reviews

43 reports | 2 recommendations

These reviews, such as school district compliance reviews and county and community college district expenditure limitation reports, help ensure public monies are protected and accounted for and that government entities follow certain State laws and regulations.

### Special audits/reviews

6 reports | 4 recommendations

We conduct these reviews when required by law, or when the Joint Legislative Audit Committee directs us to perform them.

## We add value by...

### Lowering costs

Our review of the [Arizona Industrial Development Authority](#) (AIDA), which serves as a conduit issuer of bonds to finance various statutorily authorized projects, found AIDA’s fiscal year 2021 operational costs were at least 70 percent higher than other similar entities we reviewed. Because revenues generated by AIDA net of expenses are required to be transferred to the State annually, we recommended it conduct an analysis of its expenses to identify potential cost savings and therefore, remit more public monies to the State.

Our review of the [Arizona Healthcare Cost Containment System](#) (AHCCCS) found that it took more than 1 year to start investigating more than half of potential member and provider fraud or abuse incidents that were open as

of May 2022. By not investigating and resolving potential fraud or abuse incidents in a timely manner, AHCCCS potentially continues to pay thousands of dollars each year to provide healthcare coverage for a member who may have fraudulently obtained coverage or a provider seeking reimbursement for unnecessary medical services. Further, AHCCCS reported that in fiscal year 2022, its fraud investigations either recovered or saved approximately \$48.1 million in State and federal monies. We recommended that AHCCCS develop a process and time frames for prioritizing and completing member and provider fraud or abuse investigations.

## Uncovering fraud

Through our financial investigations work, we investigated and reported on an [Arizona Department of Education](#) employee who deposited more than \$1.7 million in his secret checking account instead of a department checking account and altered department records to conceal his actions, resulting in 6 felony counts, including 5 for computer tampering and 1 for fraud schemes. We also identified losses of \$43,135 leading to 31 felony counts—9 forgery, 6 fraud schemes, 6 theft, 5 misuse of public monies, 3 computer tampering, and 2 conspiracy felony counts. This included our investigation of 2 former budget accounting specialists at [Wilson Elementary School District](#) who separately embezzled \$27,582 and \$5,000 when they issued themselves unauthorized district checks with forged signatures. The first was indicted on 6 felony counts, and the second was indicted on 5 felony counts.

## Helping government work better

Our December 2022 [School District Financial Risk Analysis](#) found 3 Arizona school districts were at higher financial risk of not being able to operate within their available cash resources and budget constraints as compared to other Arizona school districts. This represents an improvement from our 2021 analysis that identified 6 districts at higher financial risk. We communicated with all high-risk districts to help school district decision makers recognize their financial risks and encouraged them to plan for and take necessary actions to improve their financial position. Similar to nearly all Arizona school districts, the previously high-risk districts reported using COVID-19 federal relief monies to maintain operations through June 2022, contributing to improved financial positions. In total, State-wide district operating budget limit reserves, capital budget limit reserves, and General Fund balances continued to increase in fiscal year 2022, increasing 38.4 percent, 82.1 percent, and 32 percent, respectively, since fiscal year 2020.

As part of our annual financial audits of counties, community college districts, the 3 universities, and various State agencies in fiscal year 2023, we identified and reported on information technology (IT) vulnerabilities at many of these entities, including weaknesses in processes for protecting sensitive information, a lack of strong IT security controls, inappropriate and potentially unnecessary access to IT systems, and inadequate authentication requirements for IT systems to help ensure only authorized access to IT systems and data. We made a total of 173 recommendations to address the identified deficiencies and decrease the risk of inappropriate access to and use of IT systems and sensitive data. Specifically, the implementation of our recommendations will help ensure that counties, community college districts, and State agencies take necessary steps to reduce the risk of their IT systems and data being exposed to harm and help prevent and/or detect unauthorized or inappropriate access and the loss of confidentiality or integrity of these systems and data.

## Holding State agencies and school districts accountable

Our review of [Hyder Elementary School District](#) found almost all district buses failed 2020 and 2021 Arizona Department of Public Safety (DPS) inspections with major violations, requiring buses to be removed from service until the defects were repaired. Although school bus drivers should conduct pretrip operational checks, the district could not provide these checks for all school buses, the checklist used by drivers was incomplete, and the drivers did not identify any of the major violations DPS found even though nearly all of them were items required to be inspected during pretrip checks. Additionally, the district did not comply with school bus driver annual and random drug testing requirements. These failures increased safety risks to the students transported on the district's school buses and may increase the district's liability if an incident compromising student safety occurred. To address these deficiencies and better protect students, we made 5 recommendations for improving the district's bus operations, including that its school bus drivers should conduct required pre-trip school bus operations checks to identify potential safety issues before transporting students. We will continue to follow up on the district's progress in implementing these critical recommendations.

Additionally, the Joint Legislative Audit Committee typically directs our Office to conduct sunset reviews of health regulatory boards. These reviews help ensure that these boards are protecting the public by fulfilling their statutory

mandates and regulatory responsibilities. For example, our review of the [Arizona State Board of Dental Examiners](#) found that the board may not have taken enforcement action consistent with the nature and severity of some complaints' substantiated violations and did not resolve most of the complaints we reviewed in a timely manner, potentially affecting public health and safety. For example, in response to a complaint alleging that a patient's death resulted from a licensee's negligence, the board entered into a consent agreement that cited multiple statutory and rule violations but required the licensee to take a total of 40 hours of continuing education and voluntarily surrender his anesthesia and sedation permit. We made 32 recommendations to this board to address these and other findings. Our initial followup determined that the board is in the process of implementing most of our recommendations, and we will continue to follow up with the board on its efforts to implement all of our recommendations.

## Informing stakeholders







We completed our [annual analysis of school district spending](#) that looks at State- and district-level spending. Although dollars spent on instruction and total per student spending increased from the prior year, the State-wide instructional spending percentage decreased by 0.8 percent because districts allocated a smaller proportion of the increased operational spending to instruction than in prior years. The State average teacher salary increased to \$58,366, and districts used COVID-19 federal relief monies to help fund a portion of the increase.

We continued to compile and issue reports on COVID-19 federal relief spending. First, we issued a [web-based report](#) that, in part, summarized school districts' and charter schools' \$2.2 billion spent through fiscal year 2022, and districts' and charter schools' planned future uses for their remaining \$2.4 billion. Our report included findings and recommendations related to district and charter school planned future spending, noncompliance with statutory reporting requirements, and district- and charter-reported information that appeared inconsistent and potentially misreported.

Our [Special COVID-19 Funding Report](#) provides information on the State's allocation of \$77.8 billion in federal COVID 19 federal relief monies it received and spent from March 2020 through September 2022. Specifically, the State allocated \$32.1 billion and has spent \$30 billion of this amount to provide financial assistance to individuals and families, education, public health response and services, public safety, transportation, and aid to Arizona communities. The State distributed the remaining \$45.7 billion directly to individuals, businesses, local governments, and others.

## We provide high-impact training and presentations

Our staff provide presentations to legislators and other government officials; and provide trainings, webinars, technical assistance, and other outreach to help improve governmental services.

Key presentation and training topics			Presentation and training statistics		
					
Audit findings and recommendations	Accounting controls and practices	School district accounting practices	91 presentations and briefings	22 trainings	3,300 attendees

## National awards and recognition

We continue to earn accolades for our quality, relevance, and professionalism, including a sought-after [2023 National State Auditors Association Excellence in Accountability Award](#) for our [30-month followup](#) of our performance audit and sunset review of the Arizona Department of Health Services related to the department's investigation of long-term care facility complaints. This followup found none of our recommendations to improve long-term care facility (i.e., nursing home) complaint investigations had been implemented, and we identified additional significant prioritization and investigation failures that continued to put residents' health, safety, and welfare at risk. State audit offices throughout the United States submitted 35 audit projects for this award.