

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

The fiscal year 2023 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.

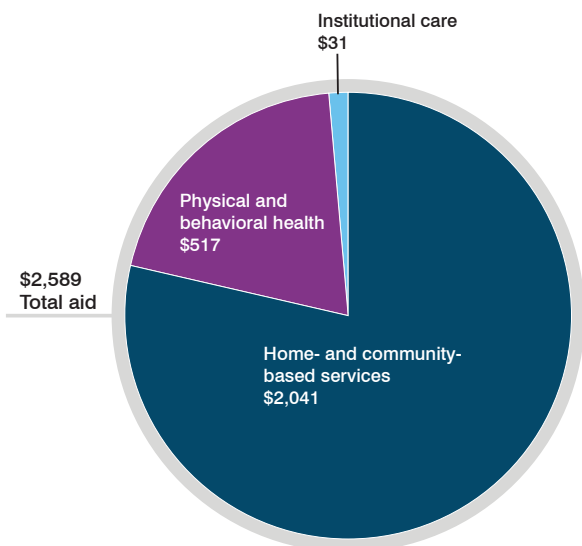
### Audit's purpose

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, 2023, the Division received approximately \$2.9 billion from AHCCCS and provided approximately \$2.6 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, 2023  
(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.

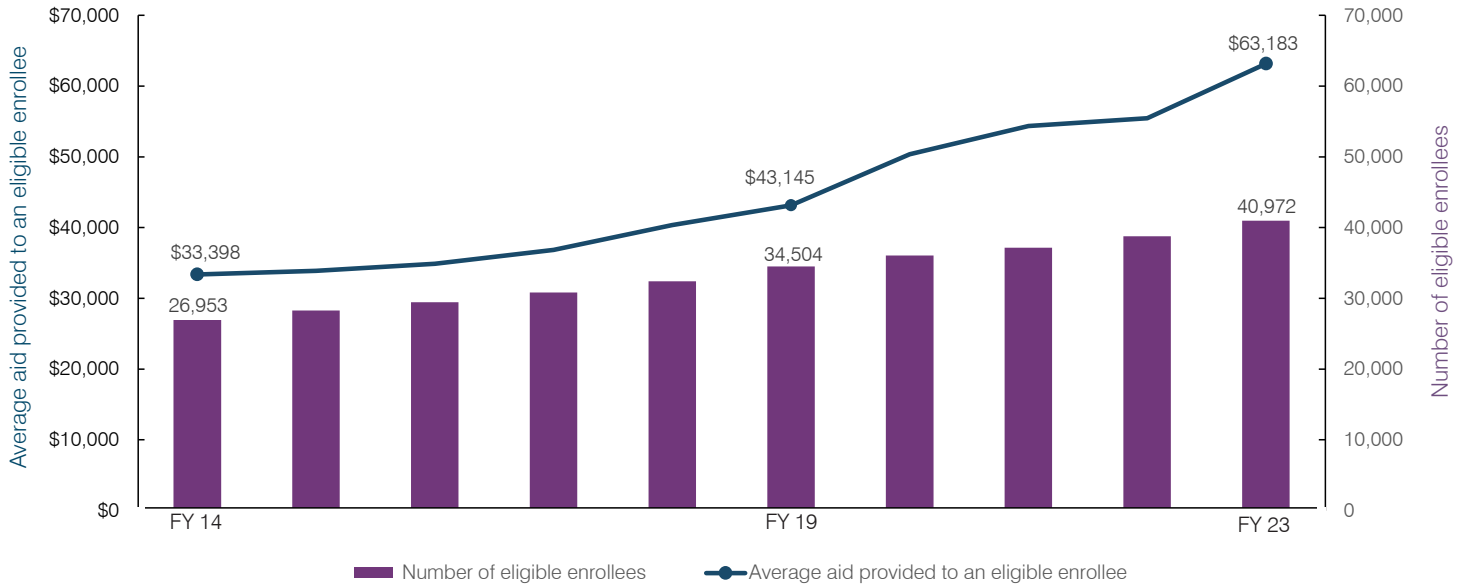
#### Physical and behavioral health

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) 2014 through 2023<sup>1</sup>



<sup>1</sup> 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 initially reported similar findings in fiscal year 2015.
- The Division needs to provide key financial information to auditors by the agreed-upon deadlines established at the beginning of the audit to ensure timely issuance of its audited financial statements and that it meets its contractually required financial reporting deadlines. To do so, the Division needs to develop and implement written policies and procedures to require its personnel to reconcile the financial statements to the underlying accounting records and to ensure they were accurate, complete, and adequately supported before providing the financial statements for audit. We found that the Division did not submit key financial information for audit by December 31, 2023, as agreed upon, and did not provide some key information until February 5, 2024. Additionally, we found that the draft financial statements the Division initially provided did not agree with its underlying schedules and accounting records. We initially reported a similar finding in fiscal year 2022.

## Auditor General website report links

- The September 30, 2023, 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](#).