



NEWS RELEASE

Arizona House of Representatives

Representative Gail Griffin (R-19)

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FOR IMMEDIATE RELEASE

Hobbs' Noncompliance Could Cost Arizona Billions in Health Care Benefits

Federal government warns continued Single Audit failures put \$18.3 billion in Medicare and other federal funding at risk, including services for seniors and Arizonans with disabilities

STATE CAPITOL, PHOENIX – Arizona State Representative Gail Griffin today warned that the Hobbs administration's continued noncompliance with federal Single Audit requirements is putting billions of dollars in federal funding at risk, including health care and long-term care services relied upon by seniors and Arizonans with disabilities.

Under the Hobbs administration, Arizona has missed the federal Single Audit deadline for four consecutive fiscal years. The Single Audit is the annual review Arizona is required to complete to account for how federal funds are spent and whether the State is complying with federal requirements.

The fiscal year 2025 audit was due March 31, 2026, and remains outstanding. The Auditor General has projected that it may not be issued until March 5, 2027, less than four weeks before the fiscal year 2026 audit is due.

Arizona spent approximately \$28.6 billion in federal funds in fiscal year 2024, including approximately \$18.3 billion from the U.S. Department of Health and Human Services. Those dollars support the Arizona Health Care Cost Containment System (AHCCCS), including the Arizona Long Term Care System, which pays for nursing home and long-term care services for seniors and Arizonans with disabilities. Federal funding also supports behavioral health treatment, child care assistance, Supplemental Nutrition Assistance Program (SNAP) food assistance, and other safety-net programs.

At a September 21 Joint Legislative Audit Committee hearing, United States Department of Health and Human Services (HHS) Assistant Secretary for Financial Resources Gustav Chiarello called the Hobbs administration's response to Arizona's delinquent Single Audit "inadequate." HHS has authority under federal law to withhold payments, disallow costs, and suspend or terminate federal awards when a state remains out of compliance.

Video of the JLAC hearing is available here: <https://bit.ly/4hnx6YC>

"Governor Hobbs has allowed Arizona to remain out of compliance year after year, and now the health care and benefits Arizonans depend on are exposed to federal penalties," Representative Griffin said. **"We are talking about \$18.3 billion in HHS funding and services that seniors, people with disabilities, and vulnerable families rely on. These Arizonans should not have to worry about losing benefits because the Governor has failed to meet basic federal accountability requirements."**

Arizona has already seen consequences from its delinquent audits. Federal agencies have withheld or frozen hundreds of millions of dollars from Arizona's public universities because of the late audits, including approximately \$154 million from the National Institutes of Health. The universities ultimately separated from the State's Single Audit to protect their federal funding.

Assistant Secretary Chiarello also testified that neither Governor Hobbs nor her office had directly engaged with him or his staff about resolving the delinquency since HHS formally notified the Governor in July that Arizona was not in compliance.

“For four years under Governor Hobbs, this problem has gotten worse instead of better,” Representative Griffin said. “Arizona has missed four consecutive federal deadlines, the number of audit findings has grown, and HHS is now warning about federal enforcement. Even after HHS formally notified the Governor that Arizona was not in compliance, her office did not have a direct conversation with the federal official responsible for addressing the delinquency. Four years is more than enough time to get this under control.”

At the September hearing, Assistant Secretary Chiarello told lawmakers that the continuing delays leave federal officials without timely information needed to identify problems, ensure federal funds are properly accounted for, and work with Arizona on corrective action. He called for a more credible timeline, greater discipline, and better communication from the State.

Since the hearing, the Hobbs administration has offered no new timeline for bringing Arizona back into compliance.

“Governor Hobbs needs to take responsibility and fix this,” Representative Griffin said. “Arizona needs a credible timeline, direct engagement with the Department of Health and Human Services, and an immediate plan to bring the State back into compliance. Seniors, families, and Arizonans with disabilities should not have their health care and other essential benefits put at risk because the administration cannot get its financial reporting in order.”

Gail Griffin is a Republican member of the Arizona House of Representatives serving Legislative District 19, which includes areas of Greenlee, Graham, Cochise, and eastern Pima and Santa Cruz Counties. She also serves as Chairman of the House Natural Resources, Energy & Water Committee.

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Arizona's Single Audit Is Late — Again

What it is, what's at stake, and what lawmakers heard at the September 21, 2026 Joint Legislative Audit Committee hearing.

4 years

Arizona has consistently missed the federal deadline (FY2022–FY2025)

~13 mo.

how late the fiscal year 2024 audit was issued

\$18.3 B+

in federal funds at stake if the State fails to come into compliance

Mar. 2027

Auditor General's realistic date for the FY2025 audit

What is the Single Audit?

Federal law requires Arizona to file a combined financial and federal-compliance audit by **March 31 each year** as a condition of receiving federal funds. The Arizona Department of Administration (ADOA) compiles the State's financial report from agency data; the Auditor General then audits it. Arizona has missed the deadline by 7 to 12+ months each year since FY2022, and FY2026 is projected to be late as well.

What's at stake

- **Federal funding:** withheld payments, disallowed costs, or suspended awards to the State and its universities.
- **Credit rating:** unreliable reporting risks a downgrade on State bonds.
- **Oversight:** weaker accountability for federally funded programs at AHCCCS (Medicaid) and DES (SNAP Benefits).

How we got here

**JULY 14
2026**

Federal warning. HHS notifies Governor Hobbs that Arizona is out of compliance, cites a "consistent pattern of noncompliance," and demands a corrective action plan.

**JULY 31
2026**

Governor's plan. ADOA targets December 30, 2026, and proposes shifting federal program audits to outside CPA firms.

**SEPT. 3
2026**

Auditor General responds. Calls the December date unrealistic, names five agencies behind the delays, proposes March 5, 2027, and says she was not consulted on the outsourcing plan.

**SEPT. 21
2026**

JLAC hearing. Lawmakers hear from the Auditor General and US HHS, and question the universities, and State agencies about meeting future audit deadlines.

What we heard at the September 21 hearing

AUDITOR GENERAL

The problem is getting **worse, not better**. Agency submissions came in later than last year, DES is a primary obstacle, and the delays have already cost universities access to federal funds.

U.S. HHS

Called the State's response **inadequate**, noted no direct contact from the Governor's Office beyond letters, and said all federal remedies remain on the table. HHS wants a credible timeline and real internal-control fixes.

STATE AGENCIES

ADOA called the delays unacceptable but **declined to commit** to an on-time FY2026 audit. Universities split from the State audit after NIH froze funds; ASU alone had up to \$400M at risk.