



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Schedules of Revenues, Expenditures, and Encumbrances

Department of Health Services

Division of Behavioral Health
Services—Title XIX and XXI Contract
Year Ended June 30, 2013



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

Department of Health Services
Division of Behavioral Health Services
Title XIX and XXI Contract
Year Ended June 30, 2013

Table of Contents	Page
Independent Accountants' Report	1
Schedules of Revenues, Expenditures, and Encumbrances:	
Title XIX	2
Title XXI	3
Notes to Schedules	4



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Accountants' Report

Members of the Arizona State Legislature

Will Humble, Director
Department of Health Services

We have examined the accompanying Schedules of Revenues, Expenditures, and Encumbrances for the Department of Health Services, Division of Behavioral Health Services, Title XIX and XXI Contract, for the year ended June 30, 2013. These schedules are the responsibility of the Department's management and its Division of Behavioral Health Services' management. Our responsibility is to express an opinion on these schedules based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The accompanying Schedules of Revenues, Expenditures, and Encumbrances were prepared to comply with contract requirements between the Arizona Health Care Cost Containment System (AHCCCS) and the Department of Health Services, Division of Behavioral Health Services, as discussed in Note 2, and are not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Schedules of Revenues, Expenditures, and Encumbrances referred to above present fairly, in all material respects, the revenues, expenditures, and encumbrances of the Department of Health Services, Division of Behavioral Health Services, Title XIX and XXI Contract, on the basis of accounting described in Note 2.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Director of the Department of Health Services, department management, others within the Department, and the Arizona Health Care Cost Containment System and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

November 21, 2013

Department of Health Services
Division of Behavioral Health Services—Title XIX
Schedule of Revenues, Expenditures, and Encumbrances
Year Ended June 30, 2013

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 407,979,002		\$ 407,979,002
Federal grant revenues	795,267,733		795,267,733
Total revenues	<u>1,203,246,735</u>		<u>1,203,246,735</u>
Expenditures/Encumbrances			
Program costs:			
Capitation paid	1,102,418,018		1,102,418,018
Fee for services (Tribal)	51,139,857		51,139,857
Medicaid special exemption payments	<u>23,337,658</u>		<u>23,337,658</u>
Total program costs	<u>1,176,895,533</u>		<u>1,176,895,533</u>
Administrative costs:			
Personal services	7,160,965		7,160,965
Employee related	2,726,603		2,726,603
Professional and outside services	1,450,290	\$ 318,022	1,768,312
In-state travel	69,569		69,569
Out-of-state travel	8,268		8,268
Aid to other organizations	7,501	74,780	82,281
Other operating	1,271,421	74,357	1,345,778
Noncapital equipment	87,062	1,967	89,029
Information technology support	491,046	7,200	498,246
Indirect costs	<u>1,338,952</u>		<u>1,338,952</u>
Total administrative costs	<u>14,611,677</u>	<u>476,326</u>	<u>15,088,003</u>
Total expenditures/encumbrances	<u>1,191,507,210</u>	<u>476,326</u>	<u>1,191,983,536</u>
Revenues over (under) expenditures/ encumbrances	<u>\$ 11,739,525</u>	<u>\$ (476,326)</u>	<u>\$ 11,263,199</u>

See accompanying notes to schedules.

Department of Health Services
Division of Behavioral Health Services—Title XXI
Schedule of Revenues, Expenditures, and Encumbrances
Year Ended June 30, 2013

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 3,082,286		\$ 3,082,286
Federal grant revenues	<u>9,867,965</u>		<u>9,867,965</u>
Total revenues	<u>12,950,251</u>		<u>12,950,251</u>
Expenditures/Encumbrances			
Program costs:			
Capitation paid	8,560,590		8,560,590
Fee for services (Tribal)	3,500,000		3,500,000
Medicaid special exemption payments	<u>259,007</u>		<u>259,007</u>
Total program costs	<u>12,319,597</u>		<u>12,319,597</u>
Administrative costs:			
Personal services	58,107		58,107
Employee related	22,729		22,729
Professional and outside services	6,476	\$ 3,518	9,994
In-state travel	32		32
Out-of-state travel	28		28
Other operating	170		170
Information technology support	1,084		1,084
Indirect costs	<u>11,045</u>		<u>11,045</u>
Total administrative costs	<u>99,671</u>	<u>3,518</u>	<u>103,189</u>
Total expenditures/encumbrances	<u>12,419,268</u>	<u>3,518</u>	<u>12,422,786</u>
Revenues over (under) expenditures/ encumbrances	<u>\$ 530,983</u>	<u>\$ (3,518)</u>	<u>\$ 527,465</u>

See accompanying notes to schedules.

Department of Health Services
Division of Behavioral Health Services
Title XIX and XXI Contract
Notes to Schedules
Year Ended June 30, 2013

Note 1 - Reporting Entity

The Department of Health Services (Department), Division of Behavioral Health Services (Division), is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) that provides behavioral health services to eligible enrollees of the AHCCCS program who are participating in the federal Title XIX and XXI programs. The Division is responsible for administering the contract. Fiscal responsibility for the Division remains with the Department and, ultimately, with the State of Arizona. Each schedule includes only that portion of the Division's operations that are attributable to the applicable Title XIX and Title XXI contract with AHCCCS.

Note 2 - Basis of Accounting

Annually, the Division is required to obtain an audit of contract revenues, expenditures, and encumbrances. For purposes of complying with the contract and to present revenues, expenditures, and encumbrances on a basis consistent with the State's accounting system, the Division has defined revenues, expenditures, and encumbrances as follows:

Revenues—The Division receives monthly capitation payments from AHCCCS that are composed of state matching monies and federal grant monies. AHCCCS capitation payments are recognized as revenues when received.

Expenditures—The Division uses monies received from AHCCCS to pay contracted service providers and administrative costs that the Division incurs for administering the contract. Expenditures are recognized when goods or services are received and paid from revenues recognized during the year ended June 30, 2013. Expenditures paid from excess revenues of prior periods are reported to AHCCCS in separate unaudited schedules that the Division prepares.

Encumbrances—Encumbrances are recognized when goods or services have been received but not paid for as of June 30, 2013.

