



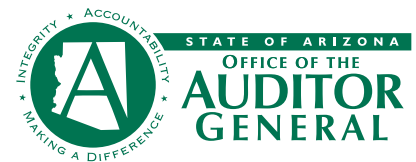
A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

Schedule of Revenues, Expenditures, and Encumbrances

# Department of Health Services

Division of Behavioral Health  
Services—Title XIX and XXI Contract  
Year Ended June 30, 2015



**Debra K. Davenport**  
Auditor General

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Department of Health Services  
Division of Behavioral Health Services  
Title XIX and XXI Contract  
Year Ended June 30, 2015

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**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

Dr. Cara M. Christ, Director  
Department of Health Services

We have examined the accompanying Schedules of Revenues, Expenditures, and Encumbrances for the Department of Health Services (Department), Division of Behavioral Health Services, Title XIX and XXI Contract, for the year ended June 30, 2015. The Department's management is responsible for these schedules. 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, 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, in all material respects, the revenues, expenditures, and encumbrances of the Department's, Title XIX and XXI Contract for the year ended June 30, 2015, based on the criteria 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, department management, others within the Department, and AHCCCS 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 20, 2015

Department of Health Services  
Division of Behavioral Health Services—Title XIX  
Schedule of Revenues, Expenditures, and Encumbrances  
Year Ended June 30, 2015

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 487,398,917		\$ 487,398,917
Federal grant revenues	<u>1,278,205,092</u>		<u>1,278,205,092</u>
Total revenues	<u>1,765,604,009</u>		<u>1,765,604,009</u>
Expenditures/Encumbrances			
Program costs:			
Capitation paid	1,605,888,826	\$ 5,736,942	1,611,625,768
Fee for services (Tribal)	65,481,115		65,481,115
Medicaid special exemption payments	<u>34,505,247</u>		<u>34,505,247</u>
Total program costs	<u>1,705,875,188</u>	<u>5,736,942</u>	<u>1,711,612,130</u>
Administrative costs:			
Personal services	8,120,572		8,120,572
Employee related	3,221,015		3,221,015
Professional and outside services	1,994,107	641,741	2,635,848
In-state travel	71,393	3,879	75,272
Out-of-state travel	12,766		12,766
Aid to other organizations	122,971	133,160	256,131
Other operating	1,299,260	219,579	1,518,839
Equipment	9,176		9,176
Noncapital equipment	47,906	304	48,210
Information technology support	364,990	8,706	373,696
Indirect costs	<u>1,890,771</u>		<u>1,890,771</u>
Total administrative costs	<u>17,154,927</u>	<u>1,007,369</u>	<u>18,162,296</u>
Total expenditures/encumbrances	<u>1,723,030,115</u>	<u>6,744,311</u>	<u>1,729,774,426</u>
Revenues over (under) expenditures/ encumbrances	<u>\$ 42,573,894</u>	<u>\$ (6,744,311)</u>	<u>\$ 35,829,583</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, 2015

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 216,398		\$ 216,398
Federal grant revenues	<u>755,168</u>		<u>755,168</u>
Total revenues	<u>971,566</u>		<u>971,566</u>
Expenditures/Encumbrances			
Program costs:			
Capitation paid	828,566	\$ 69,505	898,071
Medicaid special exemption payments	<u>19,431</u>		<u>19,431</u>
Total program costs	<u>847,997</u>	<u>69,505</u>	<u>917,502</u>
Administrative costs:			
Personal services	5,439		5,439
Employee related	2,294		2,294
Other operating	<u>4</u>		<u>4</u>
Total administrative costs	<u>7,737</u>		<u>7,737</u>
Total expenditures/encumbrances	<u>855,734</u>	<u>69,505</u>	<u>925,239</u>
Revenues over (under) expenditures/ encumbrances	<u>\$ 115,832</u>	<u>\$ (69,505)</u>	<u>\$ 46,327</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, 2015

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, 2015. Expenditures paid from excess revenues of prior periods are reported to AHCCCS in separate unaudited schedules that the Division prepares.

*Encumbrances*—Encumbrances represent formal commitments (usually contracts or purchase orders) to acquire goods or services not yet received as of June 30, 2015.

