



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, 2014



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, 2014

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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

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, 2014. 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, 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, 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 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

October 24, 2014

Department of Health Services
Division of Behavioral Health Services—Title XIX
Schedule of Revenues, Expenditures, and Encumbrances
Year Ended June 30, 2014

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 419,938,304		\$ 419,938,304
Federal grant revenues	<u>908,248,264</u>		<u>908,248,264</u>
Total revenues	<u>1,328,186,568</u>		<u>1,328,186,568</u>
Expenditures/Encumbrances			
Program costs:			
Capitation paid	1,210,664,073		1,210,664,073
Fee for services (Tribal)	59,162,101		59,162,101
Medicaid special exemption payments	<u>25,803,443</u>		<u>25,803,443</u>
Total program costs	<u>1,295,629,617</u>		<u>1,295,629,617</u>
Administrative costs:			
Personal services	7,322,070		7,322,070
Employee related	2,902,684		2,902,684
Professional and outside services	1,711,518	\$ 211,509	1,923,027
In-state travel	59,431		59,431
Out-of-state travel	3,823		3,823
Aid to other organizations	42,122	135,125	177,247
Other operating	1,007,168	36,292	1,043,460
Equipment	41,043	94	41,137
Noncapital equipment	169,708	391	170,099
Information technology support	424,760		424,760
Indirect costs	<u>711,311</u>		<u>711,311</u>
Total administrative costs	<u>14,395,638</u>	<u>383,411</u>	<u>14,779,049</u>
Total expenditures/encumbrances	<u>1,310,025,255</u>	<u>383,411</u>	<u>1,310,408,666</u>
Revenues over (under) expenditures/ encumbrances	<u>\$ 18,161,313</u>	<u>\$ (383,411)</u>	<u>\$ 17,777,902</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, 2014

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 2,302,546		\$ 2,302,546
Federal grant revenues	<u>7,566,197</u>	<u>-</u>	<u>7,566,197</u>
Total revenues	<u>9,868,743</u>	<u>-</u>	<u>9,868,743</u>
Expenditures/Encumbrances			
Program costs:			
Capitation paid	8,764,956		8,764,956
Fee for services (Tribal)	692,299		692,299
Medicaid special exemption payments	<u>197,375</u>	<u>-</u>	<u>197,375</u>
Total program costs	<u>9,654,630</u>	<u>-</u>	<u>9,654,630</u>
Administrative costs:			
Personal services	85,509		85,509
Employee related	33,761		33,761
In-state travel	1		1
Other operating	125		125
Indirect costs	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative costs	<u>119,396</u>	<u>-</u>	<u>119,396</u>
Total expenditures/encumbrances	<u>9,774,026</u>	<u>-</u>	<u>9,774,026</u>
Revenues over expenditures/encumbrances	<u>\$ 94,717</u>	<u>\$ -</u>	<u>\$ 94,717</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, 2014

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, 2014. 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, 2014.

