



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

---

Management Letter

# Pima Health Care System

Year Ended June 30, 2003

---



---

**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.auditorgen.state.az.us](http://www.auditorgen.state.az.us)**



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

October 23, 2003

Board of Supervisors  
Pima County  
130 West Congress Street, 11<sup>th</sup> Floor  
Tucson, AZ 85701-1317

Members of the Board:

In planning and conducting our audit of the Pima Health Care System for the year ended June 30, 2003, we performed the following as required by U.S. generally accepted auditing standards and the *Arizona Administrative Code*, Title 9, Chapters 22 and 28, as detailed in the *Reporting Guide for Acute Health Care Contractors with the Arizona Health Care Cost Containment System (AHCCCS)* and the *Reporting Guide for Arizona Long-Term Care System (ALTCS) Program Contractors with the Arizona Health Care Cost Containment System*:

- Considered the System's internal controls over financial reporting and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements.

We noted no internal control weaknesses or instances of noncompliance that we consider to be material to the financial statements. However, our audit disclosed a matter involving internal control weaknesses. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendation is described below.

### **Kino Community Hospital should improve its internal control procedures for patient services revenue**

Most of the Hospital's revenues consist of charges for patient services; therefore, it is essential that all of these charges be billed accurately so that these revenues are collected. However, our audit revealed some deficiencies in the Hospital's billing and collection procedures. For example, some physician services were not billed at all and amounts received were not compared to the amounts the Hospital should have received according to the related contracts.

Board of Supervisors  
October 23, 2003  
Page Two

The Hospital should develop and enforce written internal control policies to improve its billing and collection procedures. These policies should require that patient records are more closely reviewed so that all physician services are billed and that amounts received are compared to what should have been paid.

This letter is intended solely for the information of the Pima County Board of Supervisors and the System's management and is not intended to be and should not be used by anyone other than the specified parties. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Debbie Davenport  
Auditor General



**PIMA COUNTY**  
**FINANCE DEPARTMENT**  
130 WEST CONGRESS STREET  
TUCSON, ARIZONA 85701-1317  
(520) 740-8401 FAX (520) 624-9178

Carol M. Bonchalk, Director

October 14, 2003

Ms. Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> St., Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The following is Pima County's response to the Pima Health Care Systems' Management Letter for Fiscal Year 2002/2003. If you have any questions, please feel free to call.

Sincerely,

Paul J. Guerrero CPA  
Manager, Finance Department

Kino Community Hospital  
Management Letter Response  
For FY 2002 – 2003

**Kino Community Hospital should improve its internal control procedures for patient services revenue.**

Effective July 1, 2003, the Hospital has contracted with an outside provider to ensure that physician services are documented, billed and collected in a timely and accurate manner. The Hospital continues to update its' billing and collection policies and procedures so that physician services are properly billed, and amounts received are compared to amounts billed