



# Pima County Pima Health System and Services Enterprise Fund

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AUDIT

### Subject

Pima County's Pima Health System and Services Enterprise Fund is responsible for preparing annual financial statements, maintaining strong internal controls over financial reporting, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the Fund has met its responsibilities.

### Our Conclusion

The information in the Fund's financial statements is fairly stated in all material respects, and the financial statements can be relied on. However, auditors identified a deficiency in internal control over financial reporting that resulted in noncompliance with AHCCCS requirements, which is described to the right.



# 2010

Year Ended June 30, 2010

## Financial Statement Audit Summary

**Pima Health System and Services Enterprise Fund administers Pima County's AHCCCS contracts**—The Fund operates managed care plans under Pima County's contracts with the Arizona Health Care Cost Containment System (AHCCCS). The plans provide medical services, such as urgent care and doctors' visits, and long-term care to Pima County and Santa Cruz County plan members.

**Lack of controls to ensure accurate claims data was submitted**—Pima Health System and Services Enterprise Fund lacked sufficient controls over its claims-processing computer systems, causing delays and inaccurate medical and health care claims data to be submitted to AHCCCS. Claims must include the appropriate pay rates, medical service and procedure codes, and other information AHCCCS requires or AHCCCS will pend rather than accept those claims as valid. During fiscal year 2010, the Fund continued to improve its claims processing procedures to reduce pended claims. Our recommendations for further improvement are in the summary to the right.

### Auditor recommendations to improve claims data processing—

- Assign experienced employees to identify all pended claims as well as claims never submitted and submit these claims to AHCCCS as soon as possible to reduce or avoid possible sanctions and liabilities.
- Have experienced employees analyze pended claims to determine the causes so that the Fund can make software or procedural changes to prevent future errors.
- Require appropriate supervisors to document, monitor, and review all software configuration changes and have independent users approve the changes.
- Assign employees to monitor claims held in AHCCCS' Transaction Insight software system and make the necessary corrections within 90 days after submission to help ensure that those claims are accepted by AHCCCS.
- Implement the claim reference number write-back program to identify in the Fund's claims-processing system those claims that AHCCCS successfully processed. This will help the Fund's employees better analyze which claims were pended and help them to more easily prepare required financial reports.

# Condensed Financial Information

The Fund's financial statements provide readers with a broad overview of its finances using the accrual basis of accounting, which is similar to the accounting that most nonprofit organizations use.

**Statement of Net Assets**—This statement reports all of Pima Health System and Services Enterprise Fund's assets and liabilities. Net assets, the difference between assets and liabilities, includes three major categories:

- Invested in capital assets shows the Fund's equity in capital assets, such as equipment or buildings.
- Restricted net assets shows the net resources available for purposes restricted by AHCCCS contract requirements or grantors.
- Unrestricted net assets is negative primarily because the Fund provided services that resulted in losses.

**Statement of Revenues, Expenses, and Changes in Net Assets**—This statement presents the Fund's operating and nonoperating revenues and expenses, and the resulting change in net assets. Operating revenues and expenses are those that generally result from transactions generated from providing health care services. All other revenues and expenses, such as grants and interest income and expense, are considered nonoperating. The change in net assets indicates whether the Fund's financial health has improved or deteriorated as a result of current-year operations. For the current year, the Fund's net assets showed an increase of \$6.9 million.

Condensed Statement of Net Assets June 30, 2010	
<b>Assets:</b>	
Cash and cash equivalents	\$35,325,598
Receivables	4,915,674
Capital assets	717,757
Other assets	466,980
Total assets	<u>41,426,009</u>
<b>Liabilities:</b>	
Accrued medical and health care claims	20,173,275
Due to other governments	1,565,389
Accrued employee compensation	2,270,917
Due to other Pima County funds	842,786
Other liabilities	427,401
Total liabilities	<u>25,279,768</u>
<b>Net assets:</b>	
Invested in capital assets	717,757
Restricted for health care	15,942,886
Unrestricted (deficit)	(514,402)
<b>Total net assets</b>	<b><u>\$16,146,241</u></b>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2010	
<b>Operating revenues:</b>	
Capitation	\$194,573,340
Reinsurance claims	8,493,466
Charges for services	2,108,835
Other operating revenues	2,655,531
Total operating revenues	<u>207,831,172</u>
<b>Operating expenses:</b>	
Medical and health care claims	181,306,470
Case management	7,621,949
General, fiscal, and administrative	4,430,707
Other operating expenses	7,309,763
Total operating expenses	<u>200,668,889</u>
Operating income	7,162,283
Nonoperating revenues and expenses, net	734,470
Transfer out	(1,000,000)
Increase in net assets	<u>6,896,753</u>
Net assets—beginning of year	9,249,488
<b>Net assets—end of year</b>	<b><u>\$ 16,146,241</u></b>

TO OBTAIN  
MORE INFORMATION

A copy of the full report  
is available at:  
[www.azauditor.gov](http://www.azauditor.gov)

Contact person:  
Donna Miller  
(602) 553-0333

REPORT  
HIGHLIGHTS  
FINANCIAL STATEMENT AUDIT

Year Ended June 30, 2010