



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, 2012



**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, 2012

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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, 2012. 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 2, 2012

Department of Health Services  
Division of Behavioral Health Services—Title XIX  
Schedule of Revenues, Expenditures, and Encumbrances  
Year Ended June 30, 2012

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 423,171,029		\$ 423,171,029
Federal grant revenues	<u>856,536,130</u>		<u>856,536,130</u>
Total revenues	<u>1,279,707,159</u>		<u>1,279,707,159</u>
Expenditures/Encumbrances			
Program costs:			
Capitation paid	1,154,908,522		1,154,908,522
Fee for services (Tribal)	78,353,457		78,353,457
Medicaid special exemption payments	24,986,593		24,986,593
Transfer to State General Fund	<u>3,920</u>		<u>3,920</u>
Total program costs	<u>1,258,252,492</u>		<u>1,258,252,492</u>
Administrative costs:			
Personal services	7,094,301		7,094,301
Employee related	2,955,536		2,955,536
Professional and outside services	1,299,352	\$ 328,119	1,627,471
In-state travel	61,376		61,376
Out of state travel	2,065		2,065
Aid to other organizations	26,725	70,461	97,186
Other operating	1,124,666	338,197	1,462,863
Equipment	356,560	69,156	425,716
Noncapital equipment	35,962	13,890	49,852
Information technology support	279,121	4,000	283,121
Indirect costs	<u>1,500,495</u>		<u>1,500,495</u>
Total administrative costs	<u>14,736,159</u>	<u>823,823</u>	<u>15,559,982</u>
Total expenditures/encumbrances	<u>1,272,988,651</u>	<u>823,823</u>	<u>1,273,812,474</u>
Revenues over (under) expenditures/ encumbrances	<u>\$ 6,718,508</u>	<u>\$ (823,823)</u>	<u>\$ 5,894,685</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, 2012

	<u>Revenues/ Expenditures</u>	<u>Encumbrances</u>	<u>Total</u>
Revenues			
AHCCCS capitation:			
State appropriations for match	\$ 1,308,098		\$ 1,308,098
Federal grant revenues	<u>4,329,115</u>		<u>4,329,115</u>
Total revenues	<u>5,637,213</u>		<u>5,637,213</u>
 Expenditures/Encumbrances			
Program costs:			
Capitation paid	3,710,097		3,710,097
Fee for services (Tribal)	1,591,213		1,591,213
Medicaid special exemption payments	<u>112,745</u>		<u>112,745</u>
Total program costs	<u>5,414,055</u>		<u>5,414,055</u>
 Administrative costs:			
Personal services	4,134		4,134
Employee related	1,365		1,365
In state travel	14		14
Other operating	34		34
Information technology support	70		70
Indirect costs	<u>830</u>		<u>830</u>
Total administrative costs	<u>6,447</u>	<u>-</u>	<u>6,447</u>
 Total expenditures/encumbrances	<u>5,420,502</u>	<u>-</u>	<u>5,420,502</u>
 Revenues over expenditures/encumbrances	<u>\$ 216,711</u>	<u>\$ -</u>	<u>\$ 216,711</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, 2012

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, 2012. 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, 2012.



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**Department of Health Services**  
**Division of Behavioral Health Services—**  
**Title XIX and XXI Contract**

Schedules of Revenues, Expenditures, and Encumbrances  
Year Ended June 30, 2012

State of Arizona  
Office of the Auditor General