



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

November 3, 2011

Members of the Arizona State Legislature

Will Humble, Director
Department of Health Services

We have audited the Schedules of Revenues, Expenditures, and Encumbrances of the Department of Health Services, Division of Behavioral Health Services (Division), Title XIX and XXI Contract, for the year ended June 30, 2011. In planning and performing our audit, in accordance with U.S. generally accepted auditing standards, we considered the Division's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the schedules, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Division's Schedules of Revenues, Expenditures, and Encumbrances will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of 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.

Sincerely,

Debbie Davenport
Auditor General

cc: Dr. Laura Nelson, Deputy Director, Division of Behavioral Health Services
Jim Humble, Chief Financial Officer/Assistant Director of Business and Financial Services
Jane Thompson, Division Finance Officer
Su Mei Cheng, Assistant Controller
Sandy Percival, Manager, Audit and Special Investigations