



OFFICE OF INTERNAL AUDIT

REPORT TO THE BOARD OF SUPERVISORS

Pinal County Health and Human Services Healthcare Contracting & Procurement Audit

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March 25, 2010

Executive Summary

The Pinal County Office of Internal Audit has recently completed an operational and compliance audit of Pinal County Health and Human Services (HHS) healthcare contracting and procurement functions. Significant areas reviewed during the audit include the following:

- Compliance with applicable County and State Procurement Code requirements
- Written policies and procedures for HHS procurement and contracting functions
- Procurement and contracting functions of Pinal/Gila Long Term Care (P/GLTC)
- Process for Pinal County Board of Supervisors' approval of contracts
- Staff training requirements and records

HHS Administration is responsible for centralized healthcare-related contracting and procurement for all HHS departments, with the exception of P/GLTC. A separate contracting and procurement function exists within the P/GLTC department.

As a result of our audit we found internal controls over centralized contracting in HHS Administration are not adequately designed to provide reasonable assurance, regarding an efficient and effective operating environment and compliance with current regulations.

Although we found certain internal controls over the contracting and procurement process for P/GLTC are better than those for centralized HHS contracting, our review did reveal several significant weaknesses in the P/GLTC operating environment.

As a result of our procedures we noted the following deficiencies:

- HHS Contract Management has not developed comprehensive written policies and procedures adequate to maintain proper internal control over contracting and procurement functions.
- P/GLTC Management maintained written contracting and procurement policies and procedures; however, policies were not regularly reviewed and updated.
- HHS and P/GLTC Management did not provide adequate supervision or training for certain employees and failed to fill vacant management positions in a timely manner.
- HHS Management has not established adequate internal control, including written policies and procedures, over the contract approval process to ensure timely and accurate presentation of documents to the Board of Supervisors for approval.
- HHS Management maintains separate enterprise businesses performing similar operations that have not been analyzed for possible efficiencies or consolidation.

Our recommendations for improvements include:

1. *The Assistant County Manager for Health and Human Services and the Director of P/GLTC should establish adequate internal control over contracting and procurement functions including:*
 - *Comprehensive written policies and procedures;*
 - *Regular reviews of all department contracting policies and procedures, to ensure they are consistently updated and reflect applicable changes in county procurement policies and Federal/State laws and regulations;*
 - *Effective procedures for regularly updating the HHS website area used to procure service contractors.*

2. *The Assistant County Manager for Health and Human Services and the Director of P/GLTC should work with the Pinal County Human Resources Department to:*
 - *Fill vacant management positions in a professional and timely manner;*
 - *Designate department staff responsible for coordinating the hiring and termination procedures;*
 - *Ensure responsible staff members have the necessary knowledge and skills to effectively and legally perform these responsibilities.*

3. *The Assistant County Manager for Health and Human Services and the Director of P/GLTC should provide adequate supervision for all employees. Proper supervision should include effective and documented training.*

4. *The Assistant County Manager for Health and Human Services should develop internal policies and procedures detailing how department management will appropriately respond to reports of suspected fraud, waste or abuse relating to contracting and procurement functions.*

5. *The Assistant County Manager for Health and Human Services and the Director of P/GLTC should develop written policies and procedures to ensure:*
 - *Timely presentation of contracts to the Board of Supervisors for approval;*
 - *Appropriate training for the NOVUS contracting approval process, including standard contract/amendment language.*
 - *Guidelines on the proper separation of NOVUS application creator/approver responsibilities.*

6. *The County Manager and Director of Finance should consider exercising their authority delegated by the County Board of Supervisors to sign contracts on behalf of the County in amounts not to exceed \$250,000, including HHS contracts. This practice may help ensure more HHS contracts are signed and approved before their effective dates and commencement of work. All contracts should continue to be presented to the BOS for their review and oversight.*

7. *The County Manager should consider including in the County Procurement Code, or related policy and procedure, a requirement for legal review of all contracts, prior to signature and approval by an authorized County Official and commencement of work.*

8. *The County Manager should consider establishing in policy a requirement for signature and approval of all contracts by an authorized County Official, prior to the effective date of the contract and commencement of work. Exceptions to this requirement should be expressly limited, defined in policy and sufficiently documented.*

9. *The Assistant County Manager for Health and Human Services should consider evaluating current operations of P/GLTC and Horizon Home Care Departments, to determine if functions can be consolidated to achieve*

significant cost savings, increased efficiency, improved information sharing and/or better client services.

10. In the event the prior recommendation is not implemented, the Assistant County Manager for Health and Human Services should consider replacing the current formal contractual agreement for services between P/GLTC and Horizon with an interdepartmental agreement, which may alleviate HHS staff's confusion about the relationship between the departments.

The following report provides additional details of our audit observations, findings, and recommendations for improvement. We would like to thank the management and staff of the Pinal County Health and Human Services Administration, Pinal/Gila Long Term Care, and Horizon Home Care departments, for their assistance and cooperation during the course of this audit.

Lori Stripling
Pinal County Internal Audit Officer

Introduction

The Office of Internal Audit has completed an operational and compliance review of the Pinal County Health and Human Services (HHS) procurement and contracting functions. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards ¹ (GAGAS). These standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives.

Audit Objectives

The primary objectives of this audit were:

- To ensure adequate written policies and procedures, as well as proper separation of duties, exist for the effective and efficient procurement of health-related goods and services. **(Internal Controls)**
- To ensure the procurement of health-related goods and services by HHS complies with requirements of County and State procurement codes, including the proper delegation of procurement authority. **(Compliance)**
- To ensure responsible HHS employees have been provided adequate and relevant training in procurement practices. **(Training)**
- To determine if management has established an appropriate process for approval of HHS contracts by the Board of Supervisors. **(BOS Approval Process)**
- To ascertain if HHS has ensured effective, efficient, economical, and compliant procurement of Horizon Home Care services. **(Horizon Contract)**

Audit Scope

The scope of our audit was to assess HHS purchasing and contracting functions for effectiveness and efficiency; as well as compliance with all applicable policies, rules, and laws. Included in the scope was a limited review of purchasing and contracting procedures related

¹ <http://www.gao.gov/govaud/ybk01.htm>

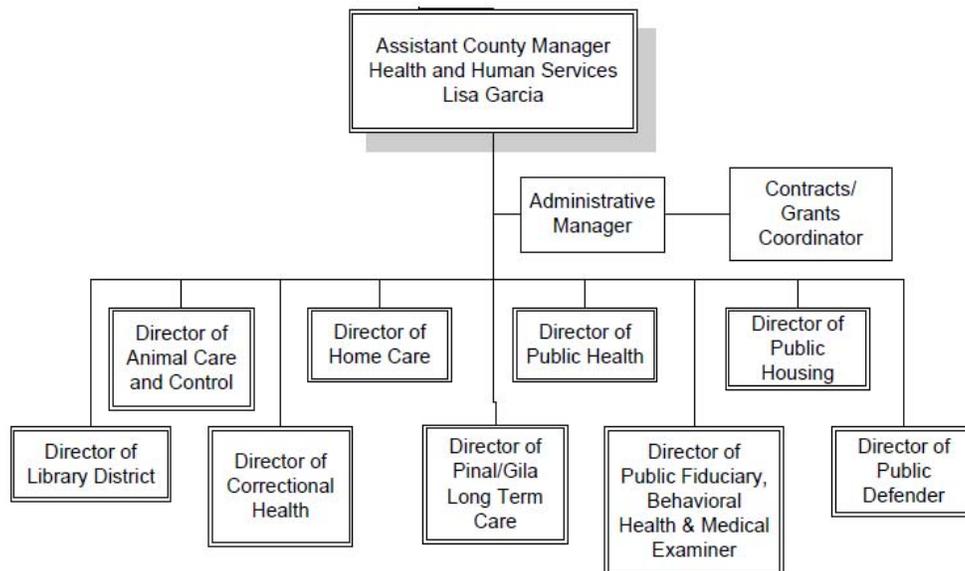
to the Arizona Health Care Cost Containment System (AHCCCS)² Arizona Long Term Care System (ALTCS) contract and associated agreements.

Audit Methodology

Our audit included such tests of internal controls, procedures, and documentation as were necessary to accomplish the audit objectives. Our methodologies included:

- Interviews with HHS management and staff
- Interviews with appropriate federal, state and county staff
- Examination of relevant documentation
- Research of applicable laws and regulations

Health and Human Services Administration Lisa Garcia, Assistant County Manager



² Arizona Health Care Cost Containment System

Background

The **Pinal County Health and Human Services (HHS) Administration** provides oversight and support for nine departments.³

1. Animal Care and Control
2. Correctional Health
3. Home Care (Horizon)
4. Long Term Care (P/GLTC)
5. Behavioral Health
6. Medical Examiner, Public Fiduciary, and Public Health District
7. Library District
8. Public Defender
9. Public Housing

The HHS Contract and Grant Coordinator obtains contracted health-related professional services for all departments within HHS, with the exception of services procured for the Arizona Long Term Care System (ALTCS) contract. The ALTCS contract, and associated subcontracted providers, is the largest contract managed by HHS.

The ALTCS contract is competitively awarded to Pinal County by the Arizona Health Care Cost Containment System (AHCCCS), the state's Medicaid program. The Pinal County Board of Supervisors, acting as the ALTCS Program Contractor, administers the contract through the HHS Pinal/Gila Long Term Care (P/GLTC) department; a county enterprise established to procure and manage ALTCS contracted services.

According to a report issued in 2000 by the Maine Rural Health Research Center, the Pinal County Board of Supervisors (BOS) considered administering the ALTCS contract as Program Contractor an "...opportunity to improve the economic development base of the county" and, "...saw ALTCS as giving the County control of services that were being paid for

³ <http://www.pinalcountyaz.gov/Departments/HealthHumanServices/Pages/Home.aspx>

by the County.⁴ Detailed requirements in the contract instruct the Program Contractor to promote member-centered care through the development of services and settings that support a mutually agreed upon care plan for all service settings (nursing facilities, assisted living facilities and at home). Program enrollees must meet limited income and asset guidelines and be determined to be at immediate risk of institutionalization in a nursing facility.

P/GLTC department case managers design detailed member care plans for health-related services procured by the department’s Network Development section. A large network of private and public sector providers, including Pinal County employees working for the HHS Horizon Home Care Department (Horizon), offer medical, institutional, behavioral, home and community-based services (HCBS). HCBS, including attendant and personal care, home delivered meals and home health nursing, help program enrollees live at home for as long as possible. P/GLTC has the highest Geographical Service Area (GSA)⁵ percentage of ALTCS enrollees in home and community based settings, and the lowest percentage of enrollees in nursing facility (NF) settings.

Geographical Service Area (GSA)		CYE08		CYE09		Difference in HCBS mix
		NF Mix	HCBS	NF Mix	HCBS	
40	Pinal/Gila	32.5%	67.5	31.0	69.0	1.5
42	LaPaz, Yuma	45.6	54.4	46.1	53.9	-0.5
44	Apache, Coconino, Mohave, Navajo	37.2	62.8	37.8	62.2	-0.6
46	Cochise, Graham, Greenlee	40.0	60.0	40.5	59.5	-0.5
48	Yavapai	44.7	55.3	43.7	56.3	1.0
50	Pima, Sana Cruz	37.7	62.3	37.4	62.6	0.3
52	Maricopa	34.3	65.7	32.5	67.5	1.8
	Statewide	35.9	64.1	34.7	65.3	1.2

⁴ <http://muskie.usm.maine.edu/Publications/rural/wp22.pdf>

⁵ AHCCCS combined counties into Geographical Service Areas to provide contract areas that are financially attractive to managed care organizations.

In 2005, total dollars spent in the United States for long term care services was \$206.6 billion.⁶ In FY2005, the Pinal County contribution for the ALTCS program was \$8,787,622⁷ and increased to \$12,905,000⁸, or 46.85%, by FY2009. The following table shows changes in county contributions for the ALTCS program in more recent years.

County	FY2006 County Contribution	% change from prior year	FY 2007 County Contribution	% change from prior year	FY2009 County Contribution	\$ change from FY 2007	% change from FY 2007
Pinal	\$ 9,676,600	10.1%	\$ 10,309,600	6.54%	\$ 12,905,000	\$ 2,595,400	25.17%
Gila	\$ 3,044,000	4.3%	\$ 2,531,400	-16.84%	\$ 2,340,100	\$ -191,300	-7.56%
Pima	\$ 41,127,000	11.7%	\$ 40,304,200	-2.00%	\$ 41,270,700	\$ 966,500	2.40%
Maricopa	\$130,003,100	3.5%	\$145,459,800	11.89%	\$160,744,400	\$15,284,600	10.51%

The US Department of Health and Human Services estimates the cost of care for an individual in a nursing home setting is over \$70,000 a year. In Arizona the average annual rate is \$74,095 for a private room and \$59,130 for semi-private. The ALTCS contract provides an adjusted capitated-rate for enrollees of \$3,258.94 per month or \$39,107.28 a year. Total revenue for the P/GLTC ALTCS program in FY 2009/2010 was \$59,878,750. The following table presents Arizona state averages for select services.

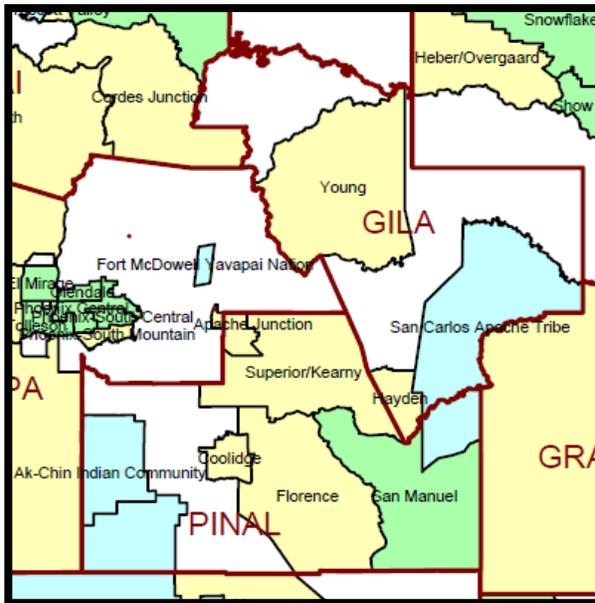
Arizona	Avg. Daily Nursing Home Rate Private	Avg. Daily Nursing Home Rate Semi- Private	Avg. Monthly Cost in Assisted Living Facility	Home Health Aide Average Hourly Rate	Homemaker Services Average Hourly Rate	Adult Day Services Daily Rate
Phoenix	209.00	160.00	2,473.00	29.00	19.00	41.00
Rest of State	197.00	163.00	2,761.00	28.00	18.00	50.00
State Average	203.00	162.00	2,617.00	29.00	19.00	46.00

⁶ US Department of Health and Human Services

⁷ <http://www.countysupervisors.org/uploads/CSA%20ALTCS%20White%20Paper%201-5-07.pdf>

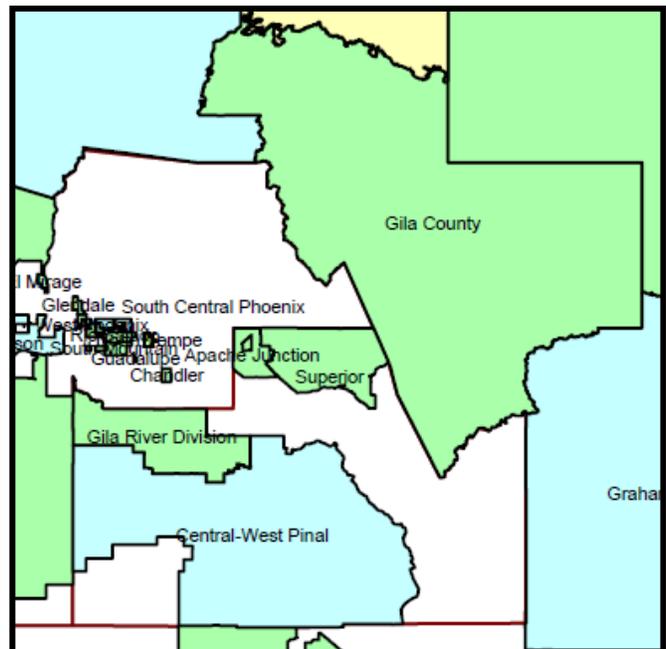
⁸ <http://www.azleg.gov/jlbc/psaxsctypay.pdf>

Pinal/Gila Long Term Care serves approximately 1,460 ALTCS members; many within areas of the P/GLTC Geographical Service Area that have been designated as Federal Medically Underserved⁹ Areas (MUA). Both Gila and Pinal counties are also in Health Professional Shortage Areas (HPSA).



- Population Low Income**
- Native American**
- Geographic Underserved Area**

Health Professional Shortage Area



- Medically Underserved Population**
- Medically Underserved Area**

Medically Underserved

⁹ <http://www.azdhs.gov/hsd/profiles/fedmua.pdf>

AUDIT FINDINGS AND RECOMMENDATIONS

A. HHS Contract Management has not established adequate internal control over HHS contracting and procurement functions

The Pinal County Finance Director is the purchasing authority for the County and has delegated the authority to procure health-related professional and contractual services to the Assistant County Manager for Health and Human Services. According to the Pinal County Health and Human Services' Open Solicitations web page, the HHS Contract/Grant Coordinator procures professional health-related services for all departments within HHS, with the exception of P/GLTC. In September 2009, Internal Audit requested the HHS Contract and Grant Coordinator provide copies of all current HHS written policies and procedures for contracting and procurement functions. Internal Audit was provided with 3 HHS centralized procurement policies and 10 P/GLTC Department procurement policies. The three HHS centralized procurement policies were:

- 1:08 Health related contractual and professional services;
- 2:08 Credentialing and Re-credentialing,
- 3:08 Mental Health Expert

After reviewing the three HHS centralized procurement policies, we noted the following deficiencies:

- The policies provided did not include procedures detailing the actual contracting and procurement process.
- One of the policies provided, Policy 1:08, states "Procurement procedures under this policy may be waived by the Assistant County Manager, if reasonable market

rates are ensured...” The policy appears to allow a waiver of procurement code procedures under some circumstances.

Also, during the course of our research, we observed that the HHS website instructed potential contractors to use the information provided on the website; however, the website had not been updated since 2008. The required documents for responding to solicitations for services, downloadable from the website at the time of our audit in FY2009/2010, were dated January 1, 2008 through December 31, 2008. The site also directed interested parties to contact the former P/GLTC Network Development Director, who was no longer employed by Pinal County.

Additionally, after reviewing the ten policies HHS provided for the P/GLTC Department we determined:

- Five of the ten policies were “no longer active.”¹⁰
- The P/GLTC Department had many more written policies and procedures than were initially provided by the HHS Contract and Grant Coordinator; although, many of the P/GLTC policies were outdated, and there was no periodic review process to ensure policies were regularly updated.

During the course of the audit, P/GLTC provided a draft Policy 9.02 establishing a Policy and Procedure System that included regular review and maintenance of policies and procedures.

¹⁰ December 8, 2009 email Chief Financial Officer

Recommendations

1. *The Assistant County Manager for Health and Human Services should develop comprehensive written policies and procedures. Written policies and procedures should detail the procurement process and:*

- *Require a periodic review of all contracting policies and procedures to ensure they are regularly updated;*
- *Require regular updating of the department website.*

B. HHS Administration and P/GLTC Management did not provide adequate supervision or training for employees within the HHS P/GLTC Network Development section

The P/GLTC Department's Network Development section has many responsibilities including:

- Developing, procuring, awarding and monitoring contracts
- Negotiating rates
- Disseminating updated information to both contracted and non-contracted providers
- Furnishing technical assistance to providers, as needed or requested
- Coordinating all provider communication, including new and terminated contracts, newsletters, etc.

In December 2008, the Arizona Auditor General issued a report, *Pinal/Gila Long Term Care Conflict of Interest and Mishandling of Public Monies*. According to the report, in April 2007 the Auditor General's office received a complaint of alleged misconduct by the, then current, P/GLTC Network Development Director and the Contract Coordinator. The Auditor General's investigation confirmed misconduct and violation of conflict of interest laws for both individuals. The report also charged HHS officials did not implement an adequate system of internal controls, failed to solicit legal advice, and failed to properly investigate the incident.

During the lengthy investigation the Network Development Director was temporarily removed from her position and worked for HHS in a different position. After the report was released, the Network Development Director was terminated from her position in February 2009.

Network Development contracting and procurement staff stated the Chief Financial Officer/Interim Network Development Director referred staff to the HHS Contract and Grants Coordinator for technical advice.

When interviewed, Section staff also claimed they obtained State Procurement training during this time but were not provided any structured training on contracting procedures, or the Pinal County Procurement Code, before commencing their contracting and procurement responsibilities. Although individuals maintained some training documentation, the department does not have a policy to maintain training documentation and could not initially provide evidence of training.

An individual hired as Network Development Director, who resigned within a year, stated “...much of the Section’s training from the HHS Contract and Grant Coordinator was verbal...nothing written...” The HHS Contract and Grant Coordinator acknowledged she had not received any training during the two year period prior to our audit.

The disruption of the lengthy State Auditor General investigation, the failure to fill the Network Director position with a full-time employee for several years, and the lack of structured staff training, most likely resulted in the following weaknesses noted during our examination:

- There were long periods of time with little or no employee supervision in the Network Development section;
- Staff acknowledged they had not received training for the Pinal County Procurement Code;
- Network Development Contract and Procurement staff did not understand the appropriate coordination of services between P/GLTC and Horizon Home Care (both Pinal County managed enterprises), and reported unfounded concerns about inappropriate contracted services.
- Terminations and hiring of staff were mishandled during a restructuring effort in the Network Development area.

During the course of the audit P/GLTC Management furnished newly developed draft contract and procurement training materials.

Recommendations

2. *The Assistant County Manager for HHS should develop procedures to ensure all vacant positions are filled in a professional and timely manner. Procedures should include:*

- *Require the assistance of Human Resource (HR) staff for all hiring and termination proceedings;*
- *Assign designated HHS department staff to assist HR staff in hiring and recruitment efforts;*
- *Require designated HHS department hiring staff maintain knowledge and skills to effectively and legally help fulfill these responsibilities.*

3. *The Assistant County Manager for HHS, and the Director of P/GLTC, should develop appropriate training for contract and procurement staff. Training should include:*

- *An examination of the Pinal County Procurement Code*
- *Information about the appropriate coordination of services between County enterprises to ensure maximum use of these valuable resources. P/GLTC Case Management staff should also be provided this information.*

4. *The Assistant County Manager for HHS should develop internal policies and procedures that detail how HHS will appropriately respond to reports of suspected fraud, waste, or abuse.*

C. HHS Management has not established adequate internal control over the BOS approval process to ensure timely and accurate presentation of documents to the Board of Supervisors for approval.

Pinal County Procurement Code PC1-105 (B) requires, "...all contracts must be approved by the BOS."

Pinal County Procurement Code PC1-105 (A) states "The County Manager or director (CFO), are authorized to, "(2) ...execute and sign binding contracts on behalf of the County **without prior** Board of Supervisor (BOS) approval in amounts not to exceed \$250,000 and each settlement and compromise or each contract authorized hereby shall be presented to the Board by the County Manager or director and be reflected in its records..."

In planning and performing our audit of HHS contracting and procurement, we considered the department's internal control over the process for obtaining Board of Supervisors' approval of contracts, and reviewed a random sample of twenty-four contracts/amendments included in various BOS meeting agendas, under requests for Board action. During our review we found:

- Eighteen, of twenty-four contracts/amendments tested, were approved by the BOS after the contract/amendment start/effective date. The BOS approval dates ranged from 14 days to 28 weeks after the start/effective date of the contract/amendment. Although our review did not reveal any evidence of error or fraud, Internal Audit determined this is a significant internal control weakness that exposes the County to indeterminate risk.
- In 2009 the Arizona Legislature enacted a 5% rate reduction on some Long Term Care services; however, the Pinal County BOS agreed to supplement payments by 5%. Although this resulted in no effective rate change for FY09/10; these actions required a revision of all affected contracts. The extent of work involved has created a backlog of amended contracts that have been belatedly submitted to the BOS for approval.¹¹ The Assistant County Manager for Health and Human Services and the Long-Term Care Director anticipate this process to be completed by FYE June 30, 2010.
- There is no explicit procurement code instruction for timely submission of documents to the BOS for approval prior to a contract's effective date and commencement of work;
- Regardless of when services may actually begin, some documents use "BOS Approval Date" as the start date of a contract.
- Eleven (11) of twenty-four (24) BOS approved contracts/amendments tested had total approved amounts of less than \$250,000. Pinal County Procurement Code PC1-105 authorizes the County Manager or Director of Finance to execute and

¹¹ Effective contract/amendment date October 1, 2009

sign contracts on behalf of the County, without prior BOS approval, in amounts not to exceed \$250,000.

- There are no written policies to guide proper creator/approver separation of duties for submission of contracts in the NOVUS application.

Health and Human Services staff also provided information confirming documents were submitted to the BOS that referred to contracts as amendments and amendments as contracts. At this time, there is no HHS policy guiding the consistent use of document terminology.

On February 19, 2009 P/GLTC staff asked the Pinal County Attorney's Office to clarify the issue of BOS approval after a contract effective date and contract billing prior to approval. County Attorney staff responded and counseled:¹²

- "Contracts must set forth the start and end date for the contract or extension"
- "If provider began to provide services before a contract can be placed on the agenda for approval, or if a provider continues to provide services after an expiration but before contract renewal can be placed on the agenda for approval, the BOS can approve the contract for the entire term."
- "If the delay is longer than a calendar month, the HHS Asst. Co. Mgr. can make a policy decision about whether to ask the Board to make retroactive approval of a contract or whether to begin a contract based on the date of approval by the Board."
- If there are renewal and rate change (you) must attach justification memo
- In all circumstances (you) must attach basis for selecting provider and/or renewal

¹² February 19, 2009 email County Attorney staff to P/GLTC staff

This guidance would appear to allow the submission of contracts/amendments to the BOS after their effective date but would seek to limit this practice to a calendar month, without an intervening policy decision by the Assistant County Manager. Internal Audit staff discussed this issue and related risk with County Attorney staff and was advised the practice was allowable.¹³ County Attorney staff reiterated “standard practice should be have a contract approved before either party begins performance.”¹⁴

On December 23, 2009, the P/GLTC department adopted Policy 5.26 *Provider Network Recruitment and Contract Development*, incorporating some of these recommendations and requiring contract start dates are in accordance with “the rules of no back dating” and “must coincide with the BOS bi-monthly meetings”. The policy also requires P/GLTC staff to retrieve a signed contract from a provider within 30 days for immediate submission to the BOS for approval, or void the contract. At this time, the HHS centralized contracting/procurement section has not adopted a similar policy for timely submission of contracts to the BOS.

HHS Administration and P/GLTC utilize the NOVUS application to document authorizations and legal review during the contract approval process. The NOVUS application records the time and date of reviews at all stages of the contracting process. Although it is current practice to obtain legal review either before or during the agenda review process, there is no explicit requirement for this review in the County Procurement Code or related policies and procedures. Additionally, it was noted that although the use of NOVUS

¹³ Greenlee v. Webster 30 Ariz. 245, 250-252, 246 P. 543, 545 (Ariz.1926)

¹⁴ December 22, 2009 email County Attorney staff to Internal Audit staff

has improved documentation of the contract approval process, HHS has not developed a written policy clarifying the proper separation of duties for creator/approver in NOVUS.

The Contract and Grant Coordinator for HHS has developed draft procedures for training NOVUS application users.

Recommendations

5. *The Assistant County Manager for HHS should adopt written policies and procedures for the HHS centralized contracting approval process that includes:*
 - *Requirements for timely submission of contracts to the Board of Supervisors for signature and approval;*
 - *Required training for contract and procurement staff that includes guidance on the use of standard document language;*
 - *Guidelines on the proper separation of NOVUS application creator/approver responsibilities.*

6. *The County Manager and Director of Finance should consider exercising their authority delegated by the County Board of Supervisors to sign contracts on behalf of the County in amounts not to exceed \$250,000, including HHS contracts. This practice may help ensure more HHS contracts are signed and approved before their effective dates and commencement of work. All contracts should continue to be presented to the BOS for their review and oversight.*

7. *The County Manager should consider including in the County Procurement Code, or related policy and procedure, a requirement for legal review of all contracts, prior to signature and approval by an authorized County Official and commencement of work.*

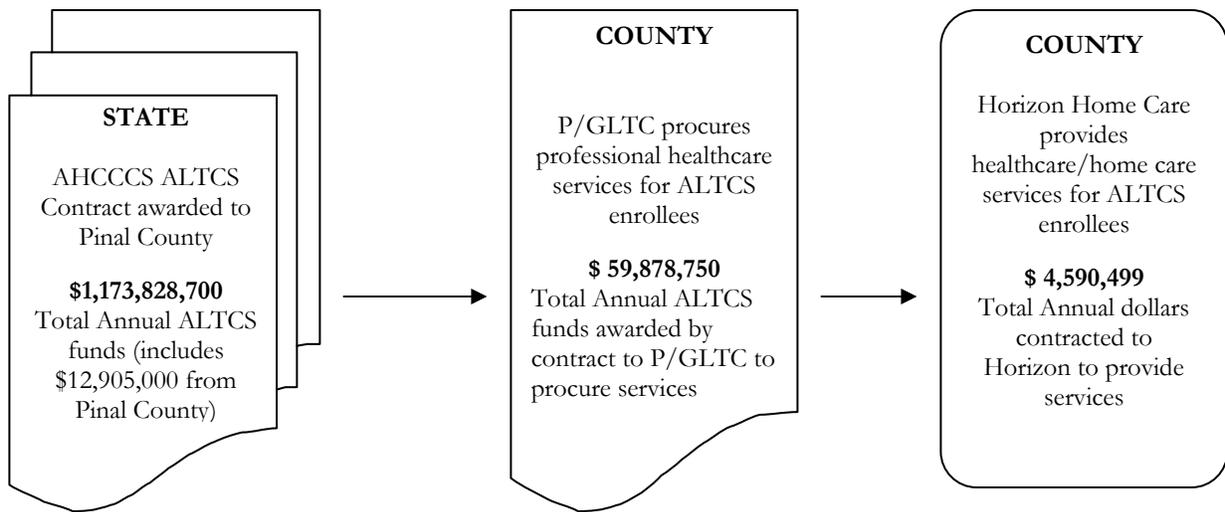
8. *The County Manager should consider establishing in policy a requirement for signature and approval of all contracts by an authorized County Official, prior to the effective date of the contract and commencement of work. Exceptions to this requirement should be expressly limited, defined in policy and sufficiently documented.*

D. HHS enterprise operations should be analyzed to determine possible efficiencies

County organizations that are operated in a manner similar to a private business are categorized for government reporting purposes as an enterprise. Revenue used to operate a government enterprise is accounted and reported using an enterprise fund. Relying on revenue generated from the services they provide (user charges), government enterprises are expected to be self-supporting. The HHS departments include two enterprise programs: (1) Pinal/Gila Long Term Care (P/GLTC) Department; and (2) Horizon Home Care (Horizon) Department.

The P/GLTC department, a county enterprise, receives approximately sixty million dollars annually from the Arizona Health Care Cost Containment System (AHCCCS) to procure

health-related services for individuals enrolled in the AHCCCS Arizona Long Term Care System (ALTCS) program. The Horizon Home Care department, another county enterprise, receives approximately five million dollars annually; or over 80% of their operating income, from the P/GLTC department to provide ALTCS health-related services.



As disclosed in the notes to the financial statements in the 2007 biennial audit of P/GLTC, the P/GLTC department contracts with other County operations for legal, financial, administrative, and medically-related services. The disclosure notes liability insurance, for employees and services provided by P/GLTC and Horizon, is provided as part of Pinal County coverage; however, both P/GLTC and Horizon maintain separate internal operating functions.

During interviews with staff, we found the perception of a client/contractor arrangement between the two departments, and the practice of using formal contractual agreements to procure Horizon’s services, was causing confusion for some employees. For example, several

employees reported P/GLTC was “preferentially” using Horizon¹⁵ to provide ALTCS services and mistakenly believed this was inappropriate, per procurement code and the ALTCS contract.

Department or Division	FY 2009/10 Total expenditures	FY 2009/10 Authorized staff
Health and Human Services Administration	\$1,307,113	3
Pinal/Gila Long Term Care	\$59,878,750	87
Horizon Home Care	\$4,590,499	143.5

Recommendations:

9. *The Assistant County Manager for Health and Human Services should consider evaluating current operations of P/GLTC and Horizon Home Care Departments, to determine if functions can be consolidated to achieve significant cost savings, increased efficiency, improved information sharing and/or better client services.*

10. *In the event the prior recommendation is not implemented, the Assistant County Manager for Health and Human Services should consider replacing the current formal contractual agreement for services between P/GLTC and Horizon with an interdepartmental agreement, which may alleviate HHS staff's confusion about the relationship between the departments.*

Attachment: Management Response and Action Plan

¹⁵ Implementation of recommendation #5 in this report should clarify this issue and alleviate staff confusion.

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>1. <i>The Assistant County Manager for Health and Human Services should develop comprehensive written policies and procedures. Written policies and procedures should detail the procurement process and:</i></p> <ul style="list-style-type: none"> • <i>Clearly define the proper delegation of procurement authority;</i> • <i>Require a periodic review of all contracting policies and procedures to ensure they are regularly updated;</i> 	Yes	<p>Develop written policies and procedures that detail the procurement process and periodic review to regularly update.</p> <p>Clearly define the proper delegation of procurement authority.</p>	<p>6/10</p> <p>4/10</p>	<p>Lisa Garcia ACM/HHS</p> <p>Lisa Garcia ACM/HHS Victoria Prins Director of Finance</p>
<p>2. <i>The Assistant County Manager for HHS should develop procedures to ensure all vacant positions are filled in a professional and timely manner. Procedures should include:</i></p> <ul style="list-style-type: none"> • <i>Require the assistance of Human Resource (HR) staff for all hiring and termination proceedings;</i> • <i>Assign designated HHS department staff to assist HR staff in hiring and recruitment efforts;</i> • <i>Require designated HHS department hiring staff maintain knowledge and skills to effectively and legally help fulfill these responsibilities.</i> 	Yes	<p>Develop procedures to ensure vacant positions are filled in a professional and timely manner.</p> <p>Develop training for HHS department staff on HR policies and procedures related to hiring and progressive discipline.</p>	<p>6/10</p> <p>6/10</p>	<p>Mike Arnold HR Director</p> <p>Kelly LeFevre HR Consultant</p>

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>5. <i>The Assistant County Manager for Health and Human Services and the Director of P/GLTC should develop written policies and procedures to ensure:</i></p> <ul style="list-style-type: none"> • <i>Timely presentation of contracts to the Board of Supervisors for approval;</i> • <i>Appropriate training for the NOVUS contracting approval process, including standard contract/amendment language.</i> 	Yes	Develop policy and procedure for timely presentation of contracts to the BOS for approval and NOVUS system.	6/10	Lisa Garcia ACM/HHS Donna Beedle LTC Director
<p>6. <i>The County Manager and Director of Finance should consider exercising their authority delegated by the County Board of Supervisors to sign contracts on behalf of the County in amounts not to exceed \$250,000, including HHS contracts. This practice may help ensure more HHS contracts are signed and approved before their effective dates and commencement of work. All contracts should continue to be presented to the BOS for their review and oversight.</i></p>	Yes	A meeting will be set up to discuss this possibility with the County Manager and the Director of Finance.	4/10	Lisa Garcia ACM/HHS
<p>7. <i>The County Manager should consider including in the County Procurement Code, or related policy and procedure, a requirement for legal review of all contracts, prior to signature and approval by an authorized County Official and commencement of work.</i></p>	Yes	County Manager will review this recommendation, in consultation with the County CFO.	9/10	County Manager

Audit Recommendation	Concur (Yes or No)	Management's Response and Action Plan	Target Date	Individual(s) Responsible
<p>8. <i>The County Manager should consider establishing in policy a requirement for signature and approval of all contracts by an authorized County Official, prior to the effective date of the contract and commencement of work. Exceptions to this requirement should be expressly limited, defined in policy and sufficiently documented.</i></p>	Yes	County Manager will review this recommendation, in consultation with the County CFO.	9/10	County Manager
<p>9. <i>The Assistant County Manager for Health and Human Services should consider evaluating current operations of P/GLTC and Horizon Home Care Departments, to determine if functions can be consolidated to achieve significant cost savings, increased efficiency, improved information sharing and/or better client services.</i></p>	Yes	A study will be conducted to look at cost savings, increased efficiency, improved information sharing and/or better client services.	6/10	Lisa Garcia ACM/HHS Donna Beedle Director P/GLTC Donna Valkos Director Home Health
<p>10. <i>In the event the prior recommendation is not implemented, the Assistant County Manager for Health and Human Services should consider replacing the current formal contractual agreement for services between P/GLTC and Horizon with an interdepartmental agreement, which may alleviate HHS staff's confusion about the relationship between the departments.</i></p>	Yes	A meeting will be held with the County Attorney to develop an interdepartmental agreement.	6/10	Lisa Garcia ACM/HHS Joe Albo Deputy County Attorney