

LOUISIANA STATE UNIVERSITY HEALTH SCIENCES CENTER IN SHREVEPORT

LOUISIANA STATE UNIVERSITY

FINANCIAL AUDIT SERVICES

Management Letter
May 10, 2023

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Louisiana State University Health Sciences
Center in Shreveport

May 2023

Audit Control # 80220098

Introduction

As a part of our audit of the Louisiana State University System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2022, we performed procedures at the Louisiana State University Health Sciences Center in Shreveport (LSUHSC-S) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of LSUHSC-S's internal controls over financial reporting and compliance; and determine whether LSUHSC-S complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LSUHSC-S management letter dated June 23, 2022. We determined that management has resolved the prior-year findings related to Noncompliance with Joint Venture Agreements, Inadequate Controls Over Accounts Receivable, and Noncompliance with and Weakness in Controls Over Subrecipient Monitoring Requirements. The prior-year findings related to Weakness in Controls Over Monitoring of Service Organizations, Weakness in Controls Over Payroll, Noncompliance with and Weakness in Controls over Federal Research and Development Expenses, and Weakness in Controls with Special Tests and Provisions Requirements have not been resolved and are addressed again in this letter.

Current-year Findings

Weakness in Controls Over Monitoring of Service Organizations

For the third consecutive year, LSUHSC-S did not adequately monitor the billing and collection services performed by a third-party servicer and the related subservice

organization. Failure to implement adequate monitoring controls increases the risk of not detecting billing errors of the service and subservice organizations, resulting in a possible loss of revenue for LSUHSC-S.

Although LSUHSC-S has procedures in place for each department to complete a Billed Charges Review on a monthly basis, this review only addresses departmental variances greater than +/- 20% and is designed as a high-level review to identify drastic changes for each department. It does not consider or evaluate variances at a physician level or for regular business reasons such as doctor out of office, clinic not scheduled, charts not closed until next month, etc. LSUHSC-S is working to develop a physician level review, but it was not available during fiscal year 2022.

Management should implement policies and procedures to ensure services provided by LSUHSC-S physicians are properly billed and collected by the service organization or subservice organization and properly support the amounts remitted to LSUHSC-S. Management partially concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Weakness in Controls Over Payroll

For the third consecutive year, LSUHSC-S did not maintain adequate controls over payroll processing. Inadequate documentation of authorized supplemental compensation increases the risk of overpayments to employees.

We sampled 15 employees by pay periods between July 1, 2021, and June 30, 2022, and noted four employees (26.7%) did not have adequate documentation supporting the authorized rate of the supplemental compensation totaling \$61,512.

LSUHSC-S and Ochsner LSU Physician Group are working to develop compensation structures for current clinical faculty. However, due to the number of clinical faculty and complexity of the compensation structure, LSUHSC-S estimates that this process will not be complete until June 30, 2023.

Management should design and implement policies and procedures that require adequate support, including the reason and rate for supplemental pay, to be maintained and properly approved. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-6).

Noncompliance with and Weakness in Controls Over Federal Research and Development Expenses

For the fourth consecutive year, LSUHSC-S did not ensure internal control over documentation of personnel services were operating effectively, and did not ensure compliance with federal guidance regarding cost transfers applicable to the Research and Development (R&D) Cluster. In addition, LSUHSC-S did not ensure that costs charged to federal awards were allowable in accordance with federal regulations and the terms and conditions of the award when requesting reimbursement. Untimely certifications and the untimely discovery and correction of errors increases the risk

of inaccurate reporting and may result in an inability to complete approved projects within the approved budget and/or period of performance. As a result, LSUHSC-S may have to utilize university funds to complete approved projects. In addition, inadequate controls and noncompliance with federal awards increases the likelihood of disallowed costs, which LSUHSC-S may have to repay to the federal grantor.

In a sample of 50 out of 10,798 expense transactions charged to R&D during the fiscal year ending June 30, 2022, the following exceptions were noted:

- Three (6%) purchasing card (P-Card) transactions were not allowable in accordance with federal regulations and the terms and conditions of the award and are considered questioned costs totaling \$1,073.
- For five (10%) of 50 transactions tested, LSUHSC-S overstated expenses on the Schedule of Expenditures of Federal Awards because the award was fully funded, and expenses in excess of the award amount were not removed from the project used to identify expenditures to federal awards in the accounting records, or the expense was determined not allowable as noted above.
- Seven (35%) of 20 time and effort certifications for salary and related benefit expenses tested were completed 119 to 461 days after the end of the quarter. LSUHSC-S utilizes time and effort certifications to support salary charges to sponsored projects as an after-the-fact certification of effort of all individuals when all or a portion of their salaries are charged to a sponsored project. Based on LSUHSC-S's policy, time and effort certifications should be completed within approximately 90 days of the end of the quarter.

LSUHSC-S's approval of P-Card transactions did not provide sufficient review of the allowability of expenses on federal awards. LSUHSC-S has procedures in place to review expenses prior to requesting reimbursement; however, it did not ensure that the necessary adjustments were made to the accounting system in a timely manner for expenses that were not allowed for reimbursement. In addition, training to emphasize accountability and the importance of completing time and effort certifications timely and accurately per policy was not completed as planned during fiscal year 2022 due to staffing shortages.

We performed an analysis of payroll adjusting journal entries to record cost transfers to and/or from R&D awards. We noted that 838 (51%) out of 1,654 adjusting journal entries were made more than 90 days after the end of the quarter from the original transactions. The adjustments were made 97 to 1,026 days after the original transactions were recorded and 96 to 953 days after the end of the quarter.

In a sample of 10 out of 1,654 payroll adjusting entries affecting R&D, tested by employee, project ID (related to Federal award), and journal ID, six (60%) adjustments did not have adequate documentation for cost transfers to fully explain how the error occurred and a sufficient explanation to support the correctness of the

new charge. Two of these adjusting entries added costs to the federal award projects and are considered questioned costs totaling \$28,324.

LSUHSC-S is still in the process of implementing the corrective action outlined in the prior year to include documentation of adjusted effort and questions to address justification for the adjustment, errors, and timeliness on a modified Personnel Change (PER) form.

Management should monitor time and effort certifications completed by the departments and investigate and obtain justification from department personnel for untimely certifications as well as untimely adjustments and lack of supporting documentation for the adjustments to enforce established policies. Management should ensure adequate design and operating effectiveness of controls over expenses, including P-Card expenses, charged to federal awards to verify allowability of costs in accordance with federal requirements and grant terms and conditions prior to requesting reimbursement. Management should also consider implementing other complementary controls such as preventing costs from being charged to projects in the accounting system beyond the approved budget or period of performance. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 7-9).

Noncompliance and Weakness in Controls with Special Test and Provisions Requirements

For the fourth consecutive year, LSUHSC-S did not have adequate controls in place to ensure compliance with Special Tests and Provisions requirements. We reviewed a sample of 14 federal R&D Cluster awards, plus two additional awards based on materiality, for the fiscal year ending June 30, 2022 (FY22), from a population of 54 awards, with a total of 28 key personnel. We reviewed the quarterly Time and Effort Certification forms, as applicable, for each key personnel for each award selected. Failure to implement controls over key personnel could result in noncompliance with federal requirements.

We noted two of 28 (7%) key personnel had documentation of actual effort on the Time and Effort Certification forms that did not agree to the effort reported to the federal grantor and there was no evidence of prior approval from the federal grantor for a change in key personnel.

Federal regulations require that for federal awards, recipients must request prior approvals from federal awarding agencies for changes in the scope or the objective of the project or program; changes in a key person associated with the award; disengagement from the project for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or principal investigator.

During FY22, LSUHSC-S was in the process of implementing its corrective action plan. This included review of some time and effort certifications as training was performed, development of an updated Personnel Change (PER-3) form that now includes

percentage effort documentation, and defined responsibilities for reporting changes in level of effort and requesting grantor approval as needed.

Management should continue to provide training for time and effort certifications. Management should also utilize the time and effort certifications and updated PER-3 forms to monitor changes in effort for key personnel and verify that prior written approval is obtained from the federal grantor for changes that exceed the thresholds set in federal regulations. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 10-12).

Weakness in Controls Over Cash Management Requirements

LSUHSC-S did not follow its prescribed controls over compliance with the cash management requirements of R&D programs. We reviewed a sample of 25 federal R&D expense transactions resulting in reimbursement request support for two subaward invoice reconciliations and 10 monthly direct award reconciliations, for the fiscal year ending June 30, 2022, from a population of 11,969 expense transactions. We also reviewed the two monthly reconciliations for July and November 2021 that were not selected from the expense transactions. We noted:

- Four (29%) of 14 reconciliations had no evidence of review or approval by someone other than the preparer.
- Ten (71%) of 14 approved reconciliations did not agree to the reimbursement request submitted to the grantor.

LSUHSC-S has established controls which consist of monthly reconciliations of reimbursement requests for R&D expenses and includes the review and approval by someone other than the preparer. In addition, federal regulations require that nonfederal entities establish and maintain internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

LSUHSC-S did not perform the drawdowns on a monthly basis when the reconciliations were performed. Drawdowns were performed in March and June 2022, and after fiscal year end in July, August, and October 2022 for expenses incurred during the fiscal year ending June 30, 2022. Management provided additional reconciliations for the draw down amounts, but there was no evidence of review and approval by someone other than the preparer.

Failure to implement sufficient controls over cash management could result in LSUHSC-S requesting reimbursement for expenses not incurred prior to the request and places LSUHSC-S in noncompliance with federal regulations.

LSUHSC-S should ensure that a review and approval is performed on the final amounts requested for reimbursement and evidence is maintained. LSUHSC-S should also ensure that established controls are followed to ensure the review and approval

is performed by someone other than the preparer. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 13-16).

Financial Statements – Louisiana State University System

As a part of our audit of the System’s financial statements for the year ended June 30, 2022, we considered LSUHSC-S’s internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Investments

Net Position – Net Investment in Capital Assets, Restricted-Expendable, Restricted-Nonexpendable, and Unrestricted

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Nongovernmental Grants and Contracts

Expenses – Education and General

Based on the results of these procedures on the financial statements, we reported findings related to Weakness in Controls Over Monitoring of Service Organizations and Weakness in Controls Over Payroll, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2022, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LSUHSC-S’s major federal program, the Research and Development Cluster.

Those tests included evaluating the effectiveness of LSUHSC-S’s internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LSUHSC-S complied with applicable program requirements. In addition, we performed procedures on information submitted by LSUHSC-S to the Division of Administration’s Office of Statewide Reporting and Accounting Policy on the status of the prior-year findings for the preparation of the state’s Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with and Weakness in Controls Over Federal Research and Development Expenses, Noncompliance and Weakness in Controls with Special Tests and Provisions Requirements, and Weakness in Controls Over Cash Management Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2022. In addition, LSUHSC-S's information submitted for the preparation the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing LSUHSC-S's internal control and compliance with related laws and regulations over accounts receivable for state and private grants and contracts.

Based on the results of these procedures, we did not report any findings.

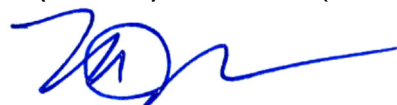
Trend Analysis

We compared the most current and prior-year financial activity using LSUHSC-S's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LSUHSC-S's management for any significant variances.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LSUHSC-S. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LSUHSC-S should be considered in reaching decisions on courses of action. The findings related to LSUHSC-S's compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

BDM:RJM:BH:EFS:ch
LSUHSCS2022

APPENDIX A: MANAGEMENT'S RESPONSES



Administration and Finance

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April 19, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FYE2022

**LSU Health Sciences Center in Shreveport
Weakness in Controls over Monitoring of Service Organizations**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to the weakness of monitoring controls over our service organizations. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues and recommendations identified by your staff. LSUHSC-S partially concurs with the recommendations to address the finding and provides the following response and corrective action plan.

Recommendation:

Management should implement policies and procedures to ensure services provided by LSUHSC-S physicians are properly billed and collected by the service organization or subservice organization and properly support the amounts remitted to LSUHSC-S.

Response and Corrective Action Plan:

As indicated in the finding, LSUHSC-S has procedures implemented for review of billing and collection variances at the department level. In order to calculate the departmental variance, individual physician variances are tracked and calculated. For this reason, LSUHSC-S partially concurs with the finding. In order to improve the controls in place, LSUHSC-S will document in its policy that individual physician tracking must be maintained on the report, and that any variance at an individual level that is over 20% will be noted with an explanation and escalated if a justifiable business reason for the variance cannot be provided. In addition, to document that review by a supervisor has been conducted, a new column for the supervisor initials and disposition will be added to the form to

indicate that a monthly check and escalation has been completed where appropriate. These policy changes will be effective April 20, 2023.

LSUHSC-S considers a 20% variance an effective control measure. Initial implementation of the policy at 10% revealed that the amount of the variance was very small month to month, and it did not reveal a systemic problem as we tested the new policy and process. Given physician billing volume, fluctuations, and pricing, the variance was increased to 20% as a more appropriate indicator or flag for billing monitoring.


Name of Contact(s) Responsible for Action Plan

Jen Katzman, Assistant Vice Chancellor for Administration and Finance
(with Departmental Business Managers)

Anticipated Completion Date: April 20, 2023

If you have questions or require additional information, please contact me at (318) 675-5230 or via email at cindy.rives@lsuhs.edu.

Sincerely,

DocuSigned by:

C853F8B100454A2...

Cindy Rives, MPA
Vice Chancellor for Administration and Finance



Business & Reimbursements

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February 24, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FYE2022

**LSU Health Sciences Center in Shreveport
Weakness in Controls Over Payroll**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to maintaining adequate documentation for faculty supplemental compensation. LSUHSC-S concurs with the finding.

LLA RECOMMENDATION:

Management should design and implement policies and procedures that require adequate support, including the reason and rate for supplemental pay, to be maintained and properly approved.

LSUHSC-S RESPONSE AND ACTIONS:

LSUHSC-S concurs with the finding. LSUHSC-S is currently working to review and update all School of Medicine clinical faculty letters of offer. This is expected to be completed by June 30, 2023.

A Physician Compensation Philosophy has been adopted and currently serves as the guiding principle when establishing the clinical compensation to be paid to individual physicians. A Fair Market Value Committee (FMVC) was formed in the fall of 2022 and charged with creating a policy and procedure to review all current and expired clinical faculty letters of offer. This committee was established with representatives from Administration, Human Resources (HR), Finance, and Ochsner LSU Physician Group (OLPG). They review all components of physician/faculty compensation to ensure compensation is within

Fair Market Value (FMV) and is Commercially Reasonable (CR). The committee meets weekly and is approximately 60% through the review of School of Medicine clinical faculty at this date. In addition to reviewing all expired and current letters of offer, this committee is conducting reviews prior to offers of employment and, at a minimum, upon renewal or change in employment status.

In December of 2022 the Compensation Committee was established with representatives from LSUHSC-S Administration, Ochsner Administration, and LSUHSC-S Faculty to develop a compensation plan (CP) based on the Physician Compensation Philosophy. (See attached.).

The committee's first meeting was held in December 2022, a chairman was elected, and the FMVC that was established in the fall of 2022 was renamed Executive Committee for the Compensation Committee. The committee is currently working on a timeline for completing the CP.

HR is now the official repository for all letters of offer and supporting documentation and created an Excel database to maintain status of outstanding letters of offer.

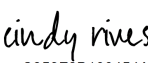
The Assistant Vice Chancellor for Administration and Finance created the Supplemental Pay Workbook in the Fall of 2022. This workbook is the guidebook for all departments submitting memos for payroll processing. All supplemental compensation is authorized through the monthly approval process.

The policies and procedures implemented to date will provide for the sufficient documentation on the rate and reason for supplemental payment.

Name of Contact(s) Responsible for Action Plan

Sheila Faour, CFO

Sincerely,

DocuSigned by:

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Cindy Rives, MPA

Vice Chancellor of Administration and Finance

CC: David Guzick, MD, PhD
Chancellor

Attachment:

Physician Compensation Philosophy

Physician Compensation Philosophy

Opening statement (Introduction):

The Compensation Plan is a performance and merit-based plan that is designed to promote the success of the individual faculty/physician and the LSUHSC School of Medicine by rewarding excellence in clinical care, leadership, academics, and research. Compensation affects faculty/physician recruitment, retention, and satisfaction, and is also directly related to long-term financial viability of our school and clinical partnership. A one-size-fits-all compensation model is not effective, nor sustainable, in meeting the needs of faculty from different disciplines and departments. The Plan must be fiscally responsible and in line with the financial goals and culture and provide a relative sense of equity among faculty/physicians.

Philosophy:

The Compensation Plan is structured to support the stated missions of the LSUHSC School of Medicine to *serve, teach, heal, discover, lead, and innovate*. The Plan will provide performance-based compensation, which rewards faculty/physicians based on productivity, quality, economic successes, leadership, and supports strategic goals and priorities. Further, it reinforces the commitment to excellence in clinical outcomes. Optimizing revenue generating activities is foundational to creating the revenue base essential to fulfill the Plan purpose. The Plan strives to reflect the value of a fully productive academic and/or clinical career, with clear relationships between the funding sources that support each base salary/supplement and the responsibilities that are linked to each of those sources. The Plan strives to recognize faculty who make contributions to the clinical system and to the medical school, and to support leadership and administration.

Guiding Principles:

- Straightforward, easy to understand, and standardized across faculty of the same specialty, sub-specialty, rank, and effort.
- Aligned with the economics of the LSUHSC School of Medicine.
- Predictable and sustainable.
- Attractive for recruitment and retention.
- Equitable, market competitive, and within fair market value.
- Have the ability to adjust with changing revenue streams and care delivery models.
- Use objective measures of individual and practice-based productivity and performance and set clear minimum standards for each.
- Reward high-quality clinical performance, academic excellence, and research success.
- Incorporate a component tied to the quality of the patient experience, outcomes, and other risk-based contract measures.
- Reward expense management and/or adherence to budget.

- Recognize administrative leadership.
- Ensure compensation methodology is transparent and easily understood by all participants and provide a sense of fairness.
- Define good citizenship as a minimum expectation and support strategic goals.
- Address all components of salary: clinical, teaching, research, administration, etc.
- Compensation tied to overhead is transparent.
- Compensation tied to quality, values, outcomes, satisfaction is transparent.
- All components of base salary and supplemental compensation will have a revenue stream attached. No “unfunded” mandates. Departmental or institutional salary support counts as a revenue stream.
- Flexible enough to incorporate expected and unexpected contingencies and marketplace changes.
- Avoid penalizing physicians who provide critical mission-based roles or must remain on guarantee to earn a market-based wage. Recognize some specialties are mission-based, provide significant value to risk-based contracts, contribute to the continuum of care, or present cost savings to the system. Other productivity/performance measures, such as outcomes, may be utilized instead of wRVU.
- Ensure regulatory compliance.
- Base salary is guaranteed and includes components of academic rank, position, and FTE. Base salary is included in the Letter of Offer.
- Job description detail (FTE components) is an addendum to the offer letter and includes all variable components of supplemental compensation: clinical, administrative, teaching, research, outcomes, performance, etc. FTE allocation is set by the chair based on clinical, teaching, and research needs of the department and institution. The addendum is updated as needed (FTE allocation changes) and at minimum reviewed annually on faculty/physician evaluation by department chair.
- New faculty may initially have 1-2 year guaranteed supplemental compensation. Department chair and/or business manager should review with faculty preferably at least 3 months in advance of but in all cases prior to expiration of guarantee. Guarantee may be extended based on extenuating circumstances (e.g., departmental needs and budget) but must be approved by department chair.
- Reporting mechanisms used to evaluate productivity/performance for variable supplemental compensation components will be shared with faculty/physicians on a regular basis.
- All outside activities must be disclosed to department chair. Moonlighting is permissible in some circumstances but must be approved.
- Distribution of outside contract revenue for non-clinical work (e.g., medical/legal case review, etc.) is at the discretion of department chair and must be disclosed.
- Compensation tied to 3rd party contracts is a component of variable supplemental compensation and is distributed in line with time and effort to fulfill contract deliverables.
- Compensation tied to research is a component of variable supplemental compensation and is distributed in line with time and effort and must have a revenue stream.
- Teaching and administrative duties is a component of variable supplemental compensation and is assigned by department chair and must have a revenue stream.
- Faculty/Physician responsibility to the LSUHSC School of Medicine is clearly defined. (Patient records, timesheets, compliance, etc.)
- Based on national survey data (e.g., Sullivan-Cotter, MGMA) compensation rates for administrative activities differ from rates paid for clinical activities.



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April 12, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FYE2022

**LSU Health Sciences Center in Shreveport
Non-Compliance with and Weakness in Controls over Federal
Research and Development Expenses**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to federal research and development expenses. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues identified by your staff. LSUHSC-S concurs with the recommendations to address the finding and provides the following response and corrective action plan.

Recommendation:

Management should monitor time and effort certifications completed by the departments and investigate and obtain justification from department personnel for untimely certifications as well as untimely adjustments and lack of supporting documentation for the adjustments to enforce established policies.

Response and Corrective Action Plan:

LSUHSC-S will continue to offer training classes and educational meetings to address the Federal requirements and ensure compliance. The training classes include one-on-one departmental meetings held by the Office of Sponsored Programs on new awards, Department Business Manager and Administrative Staff monthly meetings, and research personnel time and effort educational sessions. Emphasis will be placed on grant management organizational podcasts and classes for seasoned and new business staff, principal investigators, and institutional grant and contract support staff.

LSUHSC-S will again review the procedures to address improvements for processing adjustments through PERs with sufficient justification and timely approvals and entry in Peoplesoft.

Name of Contact(s) Responsible for Action Plan

Sheila Faour, CFO, Business and Reimbursements
Jen Katzman, Assistant Vice Chancellor for Administration and Finance
(with Departmental Business Managers)
Bill Haacker, Assistant Director of Grants Accounting
Steven McAlister, Associate Director of General Accounting
Annella Nelson, Assistant Vice Chancellor for Research Development

Anticipated Completion Date: Continuous

Recommendation:

Management should ensure adequate design and operating effectiveness of controls over expenses, including P-Card expenses, charged to federal awards to verify allowability of costs in accordance with federal requirements and grant terms and conditions prior to requesting reimbursement.

Response and Corrective Action Plan:

The transaction exceptions identified totaled approximately \$1,200 with one transaction exceeding the allocated budget and two transactions being coded to an incorrect award number.

To address the exceptions, LSUHSC-S is exploring implementation of additional Peoplesoft module vendor transaction utility, such as adding more approvers and requiring additional description of the purchase to assist the applicable departments in fulfilling their responsibilities in the transactional review area.

LSUHSC-S will also add this responsibility role training as part of our continuing one on one meetings and educational classes.

Name of Contact(s) Responsible for Action Plan

Sheila Faour, CFO, Business and Reimbursements
Jen Katzman, Assistant Vice Chancellor for Administration and Finance

(with Departmental Business Managers)
Steven McAlister, Associate Director of General Accounting
Bill Haacker, Assistant Director of Grants Accounting
Annella Nelson, Assistant Vice Chancellor for Research Development

Anticipated Completion Date: Continuous

Recommendation:

Management should also consider implementing other complementary controls such as preventing costs from being charged to projects in the accounting system beyond the approved budget or period of performance.

Response and Corrective Action Plan:

LSUHSC-S has implemented a setting in Peoplesoft that prevents personnel expenditures on accounts over budget or beyond the performance period. The personnel expenditures are captured in a suspense account for review by departmental business staff to identify the appropriate funding. This setting will be expanded for more projects and non-personnel expenditures.


Name of Contact(s) Responsible for Action Plan

Sheila Faour, CFO, Business and Reimbursements
Jen Katzman, Assistant Vice Chancellor for Administration and Finance
(with Departmental Business Managers)
Steven McAlister, Associate Director of General Accounting
Bill Haacker, Assistant Director of Grants Accounting

Anticipated Completion Date: June 30, 2023

If you have questions or require additional information, please contact me at (318) 675-5230 or via email at cindy.rives@lsuhs.edu.

Sincerely,

DocuSigned by:

C853F8B100454A2...

Cindy Rives, MPA
Vice Chancellor for Administration and Finance



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April 6, 2023

Michael J. "Mike" Waguespack, CPA
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RE: FYE2022

**LSU Health Sciences Center in Shreveport
Noncompliance with and Weakness in Controls with Special Tests
and Provisions Requirements**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to special tests and provisions requirements. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues identified by your staff and we concur with the finding.

Recommendation:

Management should continue to provide training for time and effort certifications.

Response with Corrective Action Plan:

LSUHSC-S will continue to offer training classes and educational meetings to address the Federal requirements and ensure compliance. The training classes include one-on-one departmental meetings held by the Office of Sponsored Programs on new awards, Department Business Manager and Administrative Staff monthly meetings, and research personnel time and effort educational sessions.

Name of Contact(s) Responsible for Action Plan

Annella Nelson, Assistant Vice Chancellor for Research Development
Valarie White, Director, Office of Sponsored Programs (OSP)
William Haacker, Assistant Director of Grants Accounting
Jen Katzman, Assistant Vice Chancellor for Administration and Finance

Anticipated Completion Date: Continuous

Recommendation:

Management should also utilize the time and effort certifications and updated PER-3 forms to monitor changes in effort for key personnel and verify that prior written approval is obtained from the federal grantor for changes that exceed the thresholds set in federal regulations.

Response with Corrective Action Plan:

LSUHSC-S will use both the time & effort certifications and personnel status change forms (PER-3s) to monitor effort percentages on federal grants. The monitoring review will include the departmental business staff and Principal Investigators (PIs).

The new grant management software, Cayuse, that should be implemented now in FY2024, could be a source for the automation of time & effort tracking; however, until available, management is reviewing additional avenues to address this institutional internal control to include the re-initiation of the master tracking document reflecting the award's original personnel effort with changes as approved through the internal PER-3 form and/or written approval from federal grantor as necessary.

Regarding prior approval for effort changes, OSP is the institution office of record that seeks written approval from the federal grantor if the level of effort is reduced by 25% or more for the PI or any senior/key personnel named in the notice of award per federal requirements. OSP is communicating with the Departmental PIs and Business Managers regarding effort changes throughout the grant year and reviews again with the PIs and Business Managers during annual progress reporting.

With the implemented processes, LSUHSC-S should be able to ensure that the time & effort reporting during the grant year is reflective of the award document or if any approved changes from the federal grantor is required prior to annual progress report completion.

Anticipated Completion Date: Continuous

Name of Contact (s) Responsible for Action Plan:

Sheila Faour, Chief Financial Officer, Business and Reimbursements
Annella Nelson, Assistant Vice Chancellor for Research Development
Valarie White, Director, Office of Sponsored Programs
William Haacker, Assistant Director of Grants Accounting
Jen Katzman, Assistant Vice Chancellor for Administration and Finance

If you have questions or need additional information, please contact me at (318) 675-5230 or via email at cindy.rives@lsuhs.edu.

Sincerely,

DocuSigned by:

cindy rives

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Cindy Rives, MPA

Vice Chancellor of Administration and Finance



Administration and Finance

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April 6, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FYE2022

**LSU Health Sciences Center in Shreveport
Weakness in Controls Over Cash Management Requirements**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to cash management for Research & Development Cluster (R&D) programs. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the concerns identified by your staff and concurs with the finding.

Recommendation:

LSUHSC-S should ensure that a review and approval is performed on the final amounts requested for reimbursement and evidence is maintained. LSUHSC-S should also ensure that established controls are followed to ensure the review and approval is performed by someone other than the preparer.

Response and Corrective Action Plan:

LSUHSC-S's monthly NIH drawdown process document is being updated to include the detailed efforts of the grants department accounting staff. The preparer's monthly reconciliation of federal award expenditures will continue to be reviewed by the grants manager before final drawdown and the clear evidence of this review and approval consistently noted on the documentation.

LSUHSC-S will improve the drawdown schedule to be more consistent with the reconciliation process. In addition, any variances between the reconciliation and actual drawdown amount will be documented by the approver.


Name of Contact(s) Responsible for Action Plan

William Haacker, Assistant Director of Grants Accounting
Curtis Lawrence, Staff Accountant of Grants Accounting
Sheila Faour, Chief Financial Officer, Business and Reimbursements

Anticipated Completion Date: June 30, 2023

If you have questions or need additional information, please contact me at (318) 675-5230 or via email at cindy.rives@lsuhs.edu.

Sincerely,

DocuSigned by:

C853F8B100454A2...

Cindy Rives, MPA
Vice Chancellor for Administration and Finance

Attachment: LSUHSC-S Monthly NIH Drawdown Process Document
at March 26, 2023 for completion by June 30, 2023

Monthly NIH Drawdown Process (General) Description

As of March 26, 2023

Document Definitions

- 1) **MNTHLY_DRAWDOWN** - Monthly Listing of Federal Projects with Expense activity during the month
- 2) **Payment Management Worksheet** - Spreadsheet of all active Federal Awards updated with monthly Expense amounts and life to date Revenue amounts
- 3) **Drawdown Posting JV** - Monthly Journal Voucher to post Federal Revenue to Projects after reviewing and verifying related monthly expenses; also used as backup for PMS Drawdown amounts

Tasking Description

- 1) Determine Preliminary Drawdown Award/Project Population (Grants Manager)
 - a) After notification of monthly closing of General Ledger, Grants Manager runs MNTHLY_DRAWDOWN query
 1. End Date greater than or equal to end date of applicable month
 2. Sum Amount (potential drawdown amount) does not equal 0
- 2) Summary Report preparation listing (Grants Manager)
 - a) prepare from MNTHLY_DRAWDOWN query results
 - b) Grants Manager provides to Accountant II to
 1. generate reports by project (Accountant II)
 - A. hard copies to Staff Accountant
 - B. PDF saved to G:/
- 3) Preliminary Drawdown amount analysis (Staff Accountant)
 - a) Summary Report review, including for
 1. reconciliation of
 - A. Total Expenses - Current Period Actual
 - B. Total for Project - Fiscal YTD Actuals
 - C. Total for Project - Project to Date Actuals
 - D. non-reconciliation will require additional review (preliminarily excluded from Drawdown)
 - E. reconciled amounts receive black or blue ink check marks; non-reconciled, red ink
 - F. highlight in yellow (for use on Payment Management System monthly worksheet)
 - 1) Total Revenues - Project to Date Actuals amount
 - 2) Total Expenses - Project to Date Actuals amount
 - b) Review MNTHLY_DRAWDOWN query results
 1. compare to prior month's query, including for
 - A. identification of projects requiring continuing research on issue resolution (preliminarily excluded from Drawdown)
 - B. applicable project comment content continuity
 2. for errors, including
 - 1) End Dates that may be prior to those listed (no NCC, NCE, project closed early, etc.) (preliminarily excluded from Drawdown)
 - 2) erroneously-coded items that would not be billed (service agreements, etc.) (preliminarily excluded from Drawdown)
 - c) Determine preliminary Drawdown amounts
 1. for each project, reconcile
 - A. reconciled (non-preliminarily excluded) Summary Report Total for Project - Project to Date Actuals amounts, to
 - B. reconciled (non-preliminarily excluded) MNTHLY_DRAWDOWN query amounts
 - C. notate preliminarily excluded Summary Report amounts onto MNTHLY_DRAWDOWN query worksheet
 2. perform preliminary reconciliation to
 - A. Payment Management System monthly worksheet preliminary Drawdown total
 - B. Drawdown Posting JV tab 5199 (non-Army/NASA amounts (they are Drawdown in a different process))
 - 4) Preliminary NIH Drawdown website amount analysis (Staff Accountant)

Payment Management System monthly worksheet (primarily used for grouping)

 - a) preliminary project Drawdown amounts by award number subtotals, required for NIH Drawdown website)
 1. copy from prior month worksheet, including for
 - A. identification of projects requiring continuing research on issue resolution (preliminarily excluded from Drawdown)
 - B. applicable project comment content continuity
 2. A. add/delete projects as necessary
 3. Auto-calculate preliminary Drawdown amount
 - A. enter Total Revenues - Project to Date Actuals amount from MNTHLY_DRAWDOWN worksheet into the Revenue to Date field for the
 - B. enter Total Expenses - Project to Date Actuals amount from MNTHLY_DRAWDOWN worksheet into the Project Actuals to Date field for the
 4. verify amounts
 - A. do NOT exceed available budget
 - 1) manually calculate amount to budget
 - 2) enter onto MNTHLY_DRAWDOWN worksheet

Monthly NIH Drawdown Process (General) Description

As of March 26, 2023

- B. are not entered for a closed project
 - 5. verify calculations for total award amounts for NIH website
 - 6. perform preliminary reconciliation to MNTHLY_DRAWDOWN worksheet
- 5) Prepare monthly Drawdown Posting JV (Staff Accountant)
- a) Drawdown Posting JV worksheet
 - 1. copy from prior month worksheet
 - 2. enter reconciled MNTHLY_DRAWDOWN worksheet project amounts into the applicable fields for the 3)c)1)C. (unreconciled amounts) above, highlight in orange the applicable fields and leaving them blank, for possible Grants Manager inclusion of applicable amounts
 - 3. perform preliminary reconciliation to MNTHLY_DRAWDOWN worksheet
- 6) Submission for review (Staff Accountant)
- a) sign/initial and date all applicable worksheets
 - b) print
 - 1. MNTHLY_DRAWDOWN worksheet
 - 2. Payment Management System worksheet
 - 3. Drawdown Posting JV worksheet
 - 4. provide to Grants Manager along with printed Summary Reports
 - c) e-mail link for Drawdown Posting JV worksheet to Grants Manager
- 7) Grants Manager Review
- a) Review documents from Staff Accountant
 - 1. Compare amounts on worksheets 1., 2., and 3. to 4. Summary Reports in 6) above
 - 2. Note any adjustments and updated amounts
 - 3. Further Steps to be added

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University Health Sciences Center in Shreveport (LSUHSC-S) for the period from July 1, 2021, through June 30, 2022, to provide assurances on financial information significant to the Louisiana State University System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2022.

- We evaluated LSUHSC-S's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LSUHSC-S.
- Based on the documentation of LSUHSC-S's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We performed procedures on the Research and Development Cluster for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We performed procedures on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We compared the most current and prior-year financial activity using LSUHSC-S's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LSUHSC-S's management for significant variances that could potentially indicate areas of risk.

In addition, we performed procedures on accounts receivable for state and private grants and contracts. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at LSUHSC-S, and not to provide an opinion on the effectiveness of LSUHSC-S's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review LSUHSC-S's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LSUHSC-S's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.