

LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MARCH 20, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 22, 2013

**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana State University System's (System) financial statements for the fiscal year ended June 30, 2012, we conducted certain procedures at the Louisiana State University Health Sciences Center - Health Care Services Division (HCSD) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented a basic understanding of the HCSD's operations and system of internal controls, including internal controls over a major federal award program at the Medical Center of Louisiana at New Orleans, through inquiry, observation, and review of HCSD's policies and procedures documentation, including a review of the related laws and regulations applicable to HCSD.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using HCSD's annual financial statements and/or system-generated reports and obtained explanations from HCSD management of any significant variances.
- In our prior management letter on HCSD, dated January 24, 2012, we reported a finding at University Medical Center at Lafayette relating to failure to bill and record professional services. The status of this finding will be reviewed during the next fiscal year when this entity is audited.
- Our auditors considered internal control over financial reporting and examined evidence supporting HCSD account balances and classes of transactions significant to the System's financial statements as follows:

Statement of Net Assets - Cash, accounts receivable, amounts due to/from other campuses, amounts due to/from state treasury, capital assets, accounts payable, other postemployment benefits payable, and net assets

Statement of Revenues, Expenses, and Changes in Net Assets - Hospital income and hospital expenses

We also tested HCSD's compliance with laws and regulations that could have a direct and material effect on the System's financial statements. These procedures were performed in accordance with *Government Auditing Standards* as part of our audit of the System's financial statements for the fiscal year ended June 30, 2012.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the HIV Care Formula Grants (CFDA 93.917) at the Medical Center of Louisiana at New Orleans for the fiscal year ended June 30, 2012, as a part of the Single Audit for the State of Louisiana.

The annual financial statements of HCSD were not audited or reviewed by us, and, accordingly, we do not express an opinion on those statements. HCSD's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Governmental Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2012.

The following findings are included in this report for management's consideration.

**Insufficient Support for Eligibility Determinations
in the HIV Care Formula Grants Program**

Medical Center of Louisiana at New Orleans (MCLNO) did not have adequate documentation to support the eligibility determinations for all 43 HIV Care Formula Grants Program (CFDA 93.917) clients that we tested, which resulted in questioned costs totaling \$67,000. Management did not implement policies to ensure that (1) all necessary documentation was obtained and maintained in the client file; (2) clients were recertified timely; and (3) pharmacy personnel had access to eligibility information including free care and/or Medicaid expiration dates within the Siemens Management System and Greater New Orleans Community Health Connection systems.

MCLNO is a recipient of these federal funds through the state's Louisiana AIDS Drug Assistance Program (ADAP) at the Department of Health and Hospitals, Office of Public Health (OPH). The federal program requirements, state ADAP guidelines, and contract with OPH require MCLNO to obtain documentation from the client to support (1) documented HIV infection; (2) a valid prescription for ADAP; (3) documented income at or below 300% of the federal poverty level; (4) no third party coverage for medications; and (5) no financial assets exceeding \$4,000 (excluding a house and car). In addition, the state guidelines and contract with OPH require MCLNO to obtain documentation of Louisiana residency and recertify eligibility every six months.

Noncompliance with federal regulations increases the possibility of disallowed costs that must be returned to the federal grantor.

We tested a sample of 43 clients and identified the following:

- None of the client files contained support for verification of financial assets.
- None of the client files contained support for verification of third party insurance and one of these clients had third party coverage, according to the Healthcare Data Exchange.
- Thirty-seven (86%) of the clients were not recertified timely and 21 of those clients had no recertification on file for their last service date.
- Twenty (47%) of the client files did not contain adequate support for income, including three files which contained an affidavit stating a relative was living with the client but contained no support for the relative's income.
- Eighteen (42%) of the client files did not have a valid Louisiana driver's license or other support of Louisiana residency.
- Three clients were denied on the application yet still received prescription drugs from the pharmacy.

Beginning July 1, 2012, MCLNO is no longer responsible for eligibility determinations in this program. However, management should obtain the missing documentation for clients who are still receiving assistance, provide any necessary access to expiration dates to pharmacy personnel, and work with the federal grantor and OPH to resolve the questioned costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-3).

Unauthorized Purchases on LaCarte Procurement Card

MCLNO identified approximately \$9,000 in unauthorized purchases made by an employee on a LaCarte procurement card at a home improvement store between April 2010 and May 2012. The purchases included residential building materials and tools, household cleaning supplies, Christmas toys and decorations, and sports team items. The employee resigned and an arrest was made on June 29, 2012. Management reported the theft to the New Orleans Police Department, the Louisiana Legislative Auditor, and the local district attorney.

Although only one employee was identified as making unauthorized purchases, management allowed the store to maintain the card information to be used by multiple employees in violation of the state's procurement card policy. As a result, multiple employees were able to use the card by simply informing the store that they were making

a purchase for MCLNO. In addition, the purchases were not adequately reviewed by the authorized cardholder and the supervisor.

Louisiana “LaCarte” purchasing card policy requires that purchases must be made by the authorized cardholder for official business use only and the card may not be loaned to others. In addition, supervisors or reviewers must ensure each transaction has an appropriate business purpose, is in compliance with all purchasing rules and regulations, and is in compliance with agency and state policies.

Management should comply with the state’s LaCarte purchasing card policy by removing the card information from the store’s files and only allow authorized cardholders to make purchases. In addition, management should ensure all purchasing card transactions are adequately reviewed and approved. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 4-5).

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

This letter is intended for the information and use of HCSD and its management, others within the division, the System, the LSU Board of Supervisors, the Louisiana Board of Regents for Higher Education, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

CLM:BH:EFS:THC:dl

LSU HCSD 2012

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



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February 6, 2013

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Purpera,

In accordance with your letter dated January 30, 2013, I have reviewed the above referenced reportable audit findings and concur with them. Included are several general observations about the program and specific responses to the six audit findings.

Observations

1. ADAP eligibility was determined at ILH based on approved free care status. This has been the method of approval, historically. The ADAP eligibility requirements are not congruent with the ILH-HCSD Free Care Policy. There have been several changes to the Free Care Policy over the past several years (i.e. asset testing). In addition, the screening process has been modified in light of the Greater New Orleans Community Health Connection (GNOCHC) that only requires an annual recertification and the ILH-HCSD Free Care Policy is only used in cases where GNOCHC has not been approved. The changes to the Free Care Policy were not considered when executing the ADAP Contract, and an independent process for ADAP eligibility was not implemented.
2. There is no apparent responsible staff providing comprehensive oversight to the ADAP Contract. As this program crosses several function areas (Health Care Services Division, Free Care determination, pharmacy, and the HOP Clinic), the HIV Outpatient Program staff should be authorized to lead on any ADAP related issues to ensure integration with existing programs. As demonstrated in our current situation, the audit process and audit response ultimately included the HOP clinic staff, which was not responsible for planning, executing, or monitoring the program. The HIV Outpatient Program staff is now the authorized lead on the ADAP contract which will provide comprehensive oversight.
3. Five of the six deficiencies are related to eligibility determination. The Account Specialist Staff at the HOP Clinic followed ILH-HCSD protocol to determine free care status. The discrepancies in eligibility are a function of inefficient use of Free Care determination to certify for ADAP eligibility, not the quality of work provided by the HOP Account Specialist.
4. The HOP staff communicated with the State Office of Public Health STD/HIV Program staff regarding the changes to the Free Care determination process as related to GNOCHC. This communication contributed to the development of an independent ADAP application process that started in July 2012.

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5. The **Corrective Action** for all of the audit findings was implemented July 1, 2012 with the rollout of the new ADAP eligibility determination process, independent of any screening processes at ILH-HCSD. ADAP eligibility is determined directly by the Office of Public Health staff, and an "ADAP card" is provided to the patient that is presented at participating pharmacies. The HOP Clinic social services staff assists patients in gathering necessary documentation and completing forms that are forwarded to the OPH for approval. The patient can also complete this process entirely independently. The application is re-certified every six months (December and June cycles).
6. Retroactive determination of ADAP eligibility for the sample conceivably could be accomplished by reviewing eligibility determination for the Part A Program (many patients are enrolled in both programs). The Part A program has a separate, rigorous screening process that is managed by the HOP social services staff. The City of New Orleans audits this process annually and consistently finds no discrepancies.

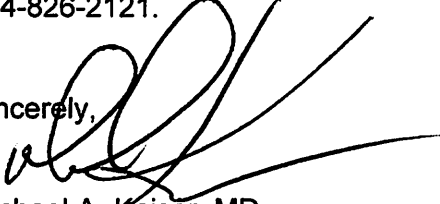
Response to Findings

1. **None of the client files contained support for verification of financial assets.** We must concur with this finding, as verification of financial assets was not obtained pursuant to HCSD policy (1102 and 2525-11). The policy states asset testing is required for those patients applying for Free Care who currently have Medicare coverage. Asset verification was not requested for patients without Medicare coverage (all ADAP applicants). This finding has been corrected with the new ADAP application process.
2. **None of the client files contained support for verification of third party insurance and one of these clients had third party coverage, according to the Healthcare Data Exchange.** We must concur with this finding, as documentation of Healthcare Data Exchange (HDX) verification was not completed in general. HDX was only accessed to verify "questionable" applicants.
3. **37 (86%) of the clients were not recertified timely and 21 of those clients had no recertification on file for their last service date.** We must concur with these finding; however OPH was notified of the changes to the Free Care determination process as related to GNOCHC. All uninsured patients presenting for care completed a Medicaid Application. The majority of previously Free Care Patients were eligible for the GNOCHC program- these patients were then considered Free Care patients for services not covered by GNOCHC (to include Pharmacy benefits). GNOCHC approved patients no longer required the six month recertification application; thus many GNOCHC patients received ADAP benefits without a recertified application. The new application process was not implemented until July 2012, almost a full year from the system change.
4. **20 (47%) of the client files did not contain adequate support for income, including three files which contained an affidavit stating a relative was living with the client, but contained no support for the relative's income.** We must concur with these findings. Acceptable forms of support for the Free Care Policy were used to certify these applications- all of which are not acceptable for ADAP eligibility determination.
5. **18 (42%) of the client files did not have a valid Louisiana driver's license or other support of Louisiana residency.** We must concur with this finding, as expired LA driver's licenses were accepted as valid ID. Patients who provided expired LA driver's licenses also provided other supporting documentation (i.e. utility bill with name and address).

6. **Three clients were denied on the application yet still received prescription drugs from the pharmacy.** We must concur with this finding. These prescriptions should not have been charged to the ADAP program.

If you have any questions or need any additional information, please contact David Little, at 504-826-2121.

Sincerely,



Michael A. Kaiser, MD
Interim Chief Executive Officer

Cc: Lanette Buie
Jerry Bellocq
David Little
Melissa Peltier



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December 4, 2012

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804

RE: Audit Finding
Medical Center of Louisiana at New Orleans
Unauthorized Purchases on LaCarte Procurement Card

Dear Mr. Purpera:

In accordance with your letter dated November 21, 2011, I have reviewed the above referenced reportable audit finding and concur with the finding.

The following corrective actions have been taken by the Medical Center of Louisiana at New Orleans:

The Facilities department employee making the unauthorized purchases for goods/merchandise was identified and terminated; in addition, law-enforcement officials also took action from a criminal perspective. A second employee in the Purchasing department was issued corrective action (15-day reduction in pay) for lack of diligence in recognizing the actions of the Facilities department employee.

- The LaCarte card has always remained and continues to stay in the hands of the cardholder at all times. Our relationship with Home Depot is such that the LaCarte card is on file with HD and referenced whenever a sale was made. Because of the frequency of need and many times urgent nature of goods, it is/was not feasible to use a traditional purchase-order system with Home Depot.
- Since the unauthorized purchases were discovered and addressed, we have placed other safeguards in place to prevent any recurrence.
- All receipts for items purchased from HD are signed at the point of sale (retail store) and immediately brought back to the ILH purchasing department for processing. Any questions, concerns and/or suspicious purchasing activity that arise are immediately addressed with the Facilities Department.
- Facilities Department Manager and/or Director signs off on the monthly charges for HD, as Facilities cost center is charged for those expenses.

After reviewing the Audit Finding and reviewing the corrective action taken by the hospital it was discovered that several Facilities Department employees at the Medical Center of Louisiana have been identified (by Facilities dept leadership) as the authorized purchasers for Home Depot. These individuals

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are still allowed to purchase items from HD referencing our LaCarte card account. We recognize this is not consistent with either the State's or HCSD's policy. We are taking immediate steps to correct this misinterpretation of policy and insure that both the State's and HCSD policy is followed.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Kaiser', with a long horizontal flourish extending to the right.

Michael Kaiser, MD
Chief Executive Officer, Chief Medical Officer
LSU Health Care Services Division