

LALLIE KEMP REGIONAL MEDICAL CENTER  
LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED JULY 27, 2022

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# Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Lallie Kemp Regional Medical Center



July 2022

Audit Control # 80220057

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## Introduction

The primary purpose of our procedures at the Lallie Kemp Regional Medical Center (LAKMC) was to evaluate certain controls LAKMC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

## Results of Our Procedures

We evaluated LAKMC’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LAKMC’s controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to accounts receivable, pharmacy inventory, accounts payable, net patient services revenue, payroll and personnel expenses, and non-payroll expenses.

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### Accounts Receivable

LAKMC maintains accounts receivable that consist of amounts billed to patients for services and physician charges. We obtained an understanding of LAKMC’s procedures for account collection and identification of bad debts. We reviewed selected delinquent accounts during the period July 1, 2021, through March 31, 2022, and examined supporting documentation, including payment notices and account details to ensure established collection and bad debt procedures were followed. Based on the results of our procedures, LAKMC had adequate controls to ensure requests for payment notices were sent to debtors timely, delinquent debt was appropriately transferred to the Office of Debt Recovery (ODR), and LAKMC complied with the terms of the agency’s Participation Agreement with ODR.

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### Pharmacy Inventory

LAKMC’s pharmacy inventory totaled \$639,037 at June 30, 2021. LAKMC operates an outpatient pharmacy, separate from the inpatient pharmacy, which serves to fill the prescription needs of LAKMC patients, including the inmate patients. Because LAKMC participates in a federal discount drug pricing program, patients can buy select medications for less than the normal cost.

LAKMC conducts an annual physical inventory count of inpatient and outpatient medications at the end of the fiscal year. Valuation of the inventory is based on the “First-In-First-Out” (FIFO) inventory cost methodology. We obtained an understanding of LAKMC’s controls over the pharmacy operations, obtained the inventory listings as of June 30, 2021, and performed physical inventory counts on selected items. Based on the results of our procedures, LAKMC had adequate controls in place to ensure that inventory items were accurately accounted for and medications were appropriately stored and safeguarded.

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## **Accounts Payable**

LAKMC’s accounts payable balance was \$2,902,693 at June 30, 2021. We reviewed selected transactions totaling \$2,330,711, and examined supporting documentation, including purchase orders and invoices, to ensure accounts payable were properly recorded. Based on the results of our procedures, LAKMC had adequate controls to ensure accounts payable were properly recorded.

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## **Net Patient Services Revenue**

Net patient services revenue comprised 82% of operating revenues in fiscal year 2021. Any resident of Louisiana in need of medical services, including but not limited to the uninsured, is eligible for treatment at LAKMC. Those persons who are determined to be indigent (eligible for free care) are not billed for any services or treatment received, provided their income level is not greater than 200% of the federal poverty level. We obtained an understanding of LAKMC’s policies and procedures over patient revenues. We reviewed selected charges and determinations during the period July 1, 2020, through March 31, 2022. Based on the results of our procedures:

- LAKMC had adequate controls to ensure free care and self-pay financial classes were determined appropriately and were adequately supported.
- LAKMC had adequate controls to ensure patient charges were applied appropriately and correctly calculated.

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## **Payroll and Personnel**

Salaries and related benefits comprise approximately 61% of LAKMC’s expenses in fiscal year 2021 and 53% for the first nine months in fiscal year 2022. We obtained an understanding of LAKMC’s controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, LAKMC had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was accounted for properly.

## Non-payroll Expenses

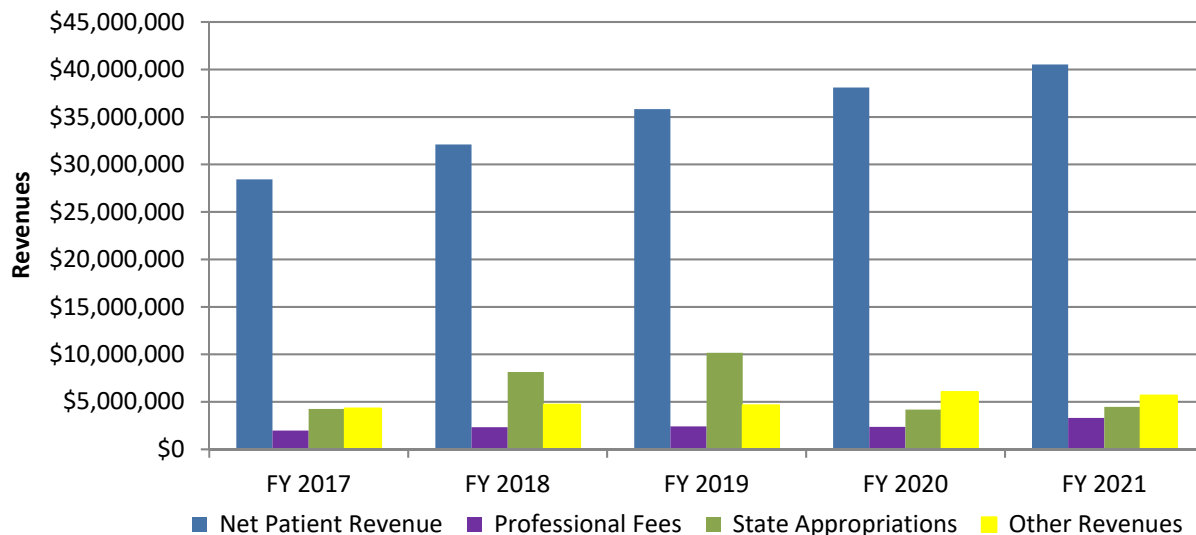
We obtained an understanding of controls over non-payroll (laboratory services, maintenance contracts and medical supplies) expenses. We reviewed selected transactions during the period July 1, 2020, through March 31, 2022, and examined supporting documents, including purchase requisitions, purchase orders, invoices, and contracts to determine if controls were in place to ensure payments were reasonable and authorized. Based on the results of our procedures, LAKMC had adequate controls in place to ensure proper segregation of duties were maintained, expenses were reasonable, adequately supported and authorized, and in compliance with applicable laws and regulations.

## Trend Analysis

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

In analyzing financial trends over the previous five fiscal years, LAKMC is funded with state general fund appropriations, net patient services revenue, professional fees, and other revenues. Total revenues have increased 39% over the past five fiscal years. Since fiscal year (FY) 2017, net patient services revenues and professional fees have increased by 43% and 68% respectively, due to Medicaid Expansion and a greater reliance on fee-for-service billing.

**Five-Year Trend - Revenues**



Source: FY2017-2021 Annual Fiscal Reports

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

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LAKMC2022

## APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Lallie Kemp Regional Medical Center (LAKMC) for the period from July 1, 2020, through June 30, 2022. Our objective was to evaluate certain controls LAKMC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the LAKMC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LAKMC's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LAKMC'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 LAKMC.
- Based on the documentation of LAKMC's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to accounts receivable, pharmacy inventory, accounts payable, net patient services revenue, payroll and personnel expenses, and non-payroll expenses.
- We compared the most current and prior-year financial activity using LAKMC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LAKMC's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at LAKMC and not to provide an opinion on the effectiveness of LAKMC'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 purpose.