

LOUISIANA STATE UNIVERSITY HEALTH SCIENCES CENTER IN SHREVEPORT

LOUISIANA STATE UNIVERSITY

FINANCIAL AUDIT SERVICES

Management Letter
March 13, 2024

**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
BETH Q. DAVIS, CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Louisiana State University Health Sciences
Center in Shreveport

March 2024

Audit Control # 80230068

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, 2023, 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.

We also 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 May 10, 2023. We determined that management has resolved the prior-year finding related to Weakness in Controls Over Cash Management 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 Noncompliance 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 fourth 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 had procedures in place for each department to complete a Billed Charges Review on a monthly basis, this review only addressed departmental variances greater than +/- 20% and was designed as a high-level review to identify drastic changes for each department. In April 2023, LSUHSC-S revised its procedures to perform a monthly review of each individual faculty member and overall by department by comparing the current month to a six-month average with a variance greater than +/- 20%. The revised policy does not specify a timeframe for the supervisor to complete their review.

We reviewed the analysis for seven of 18 departments for the months of May and June 2023 and noted the following:

- For 6 (43%) of the 14 monthly Billed Charges Analysis reviewed, the variance and/or percentage variance were incorrectly calculated.
- For 6 (43%) of the 14 monthly Billed Charges Analysis reviewed, there was no date indicating when the supervisor reviewed the explanations provided on the variance report and it was indeterminable whether it was completed timely.

Management explained that the monthly reviews are used to identify trends that need to be addressed by the service and subservice organizations over a month or two and that they are continuing to develop and address common issues noted in the review process with the business managers.

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

Weakness in Controls Over Payroll

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

We sampled 15 employees with supplemental compensation payments between July 1, 2022, and March 31, 2023, and noted three employees (20%) did not have adequate documentation supporting the authorized rate of the supplemental compensation totaling \$57,167. In a separate test of 20 employees' salaries, wages, and benefits, including supplemental pay, for the same time period, we noted three of the six employees (50%) with supplemental pay did not have adequate

documentation supporting the authorized rate of supplemental compensation totaling \$50,833.

LSUHSC-S and Ochsner LSU Physician Group (OLPG) have been working to develop compensation structures for current clinical faculty and complete revised offer letters. Due to the complexity of the compensation structure and the large number of faculty and staff, LSUHSC-S stated that this process is taking longer than originally anticipated.

LSUHSC-S represented, as of November 21, 2023, 83% of all offer letters have been updated, including all of the School of Allied Health. Of the remaining 172 letters outstanding, 43 (25%) are complete and pending signatures.

Management should design and implement policies and procedures that require adequate support be approved and maintained, including the reason and rate for supplemental pay. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-5).

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

For the fifth 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. 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 random sample of 25 out of 2,401 payroll adjusting entries affecting R&D, we noted the following:

- Six (24%) 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.
- Nine (36%) adjustments were not completed within 90 days of when the error was discovered.
- One (4%) adjustment added unallowed expenses to a federal award project and is considered questioned costs totaling \$2,619.

We also performed an analysis of payroll adjusting journal entries to record cost transfers to and/or from R&D awards. We noted that 728 (36%) out of 2,030 adjusting journal entries were made more than 90 days after the end of the biannual

period from the original transactions. The adjustments were made 92 to 467 days after the end of the biannual period.

In addition, in a random sample of 57 out of 11,827 expense transactions charged to R&D during the fiscal year ending June 30, 2023, we noted two (6%) of 32 time and effort certifications for salary and related benefit expenses tested were completed 126 to 140 days after the end of the semiannual period.

LSUHSC-S implemented a revised Personnel Change (PER) form at the beginning of FY23, which was designed to include an explanation and justification for any changes in faculty compensation on projects funded by federal awards. The departmental business managers, who are responsible for initiating PER forms, are not providing a full explanation for how errors occurred and the PER forms are not being processed timely. In addition, LSUHSC-S faculty are not completing time and effort certifications timely, which contributes to untimely adjustments for compensation.

Management should monitor, investigate, and obtain justification from department personnel for untimely time and effort certifications, untimely adjustments, and lack of supporting documentation for adjustments to enforce established policies. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 6-8).

Noncompliance and Weakness in Controls with Special Tests and Provisions Requirements

For the fifth 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 12 federal R&D Cluster awards from a population of 58 awards, plus two additional awards based on materiality, for the fiscal year ending June 30, 2023. We reviewed the biannual Time and Effort Certification forms, as applicable, for each award and the 24 key personnel assigned to the selected awards.

We noted two of 24 (8.3%) 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.

LSUHSC-S's controls are not effectively designed to ensure prior approval is obtained for changes in effort by key personnel as required by federal regulations, specifically relating to disengagement from a project for more than three months or a 25% reduction in effort. This is partially due to LSUHSC-S revising its Time & Effort Certification policy in September 2022, which changed the frequency of the certification from quarterly to semiannually. Failure to implement controls over key personnel requirements could result in noncompliance with Special Tests and Provisions requirements.

Management should 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 should revise the Time & Effort Certification policy or implement alternative controls designed to ensure compliance with Special Tests & Provisions requirements. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 9-11).

Financial Statements – Louisiana State University System

As a part of our audit of the System’s financial statements for the year ended June 30, 2023, 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 – Educational 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 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, 2023, 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 certain 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 and Noncompliance and Weakness in Controls with Special Tests and Provisions Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2023. In addition, LSUHSC-S's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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:JPT:BQD:aa

LSUHSCS2023

APPENDIX A: MANAGEMENT'S RESPONSES

Health Sciences Center

Vice Chancellor of
Administration and Finance

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March 5, 2024

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
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RE: FYE2023

**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 the 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 concurs with the findings and provides the following response to the recommendation and corrective action plan.

Recommendation:

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

Response and Corrective Action Plan:

As indicated in the finding, LSUHSC-S has a procedure implemented for review of billing and collection variances at the department and provider level. LSUHSC-S still considers a 20% variance an effective control measure. Initial implementation of the policy at a lower variance 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 monitoring tool for trends.

Calculation errors shall be remedied by automating generation of the report. LSUHSC-Shreveport is currently working to revise its revenue cycle dashboard using Epic data to produce the information in this report. It will auto-calculate the variance and account for hire or separation dates of faculty. Business Managers will be able to draw down the information into a monthly report and document variances over 20%. Automation is expected to be completed before June 30, 2024.

Since the procedure is silent as to the review completion date, this gap will be remedied in our controls. Completion by the supervisor shall be by the end of the following month after the report is due. This will give reasonable time for the supervisors to review given their many competing priorities, and more importantly, serves as a better control for the below reasons:

- The Business Managers can correct and resubmit the report due to any errors (until automation is completed).
- It allows time to discuss with the Business Manager any findings and follow-up research that is likely needed. Often, requested escalations first require additional research on visit volume, census, etc. There is usually an underlying business cause seen in the deeper data that the supervisors ask the Business Managers to research further. This requires additional time and resources to pursue for due diligence, especially if the Business Manager must collect the info from clinic managers or others outside of LSU.
- If a +/- 20% variance occurs one month without a known business reason or cause, escalation may not always be necessary. Since this is a trend monitoring report, it is best practice to see if the trend continues more than one month before raising a red flag. By completing review before the end of the following month, the supervisor will have received the next report (by the 25th) to do a comparison to see if the trend continued and is necessary to escalate. This strategy has the double benefit of avoiding loss of credibility by not escalating too many unnecessary “red herrings” at the Revenue Cycle billing calls for investigation.
- As noted, this allows time to have one of our bi-weekly Revenue Cycle calls for escalation (if needed).

These procedure changes will be effective March 1, 2024.

Name of Contact(s) Responsible for Action Plan

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

Anticipated Completion Date: June 30, 2024

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

Sincerely,



Cindy Rives, MPA
Vice Chancellor for Administration and Finance

Health Sciences Center

Vice Chancellor for
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January 31, 2024
Michael J. "Mike" Waguespack, CPA
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P.O. Box 94397
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RE: FYE2023
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.

LSUHSC-S RESPONSE:

This finding states that LSUHS did not maintain adequate controls and documentation of authorized supplemental compensation, which increases the risk of overpayments.

The Louisiana Legislative Auditor (LLA), focusing primarily on clinical faculty, found that LSUHSC-S "did not maintain adequate controls over payroll processing." Inadequate documentation of supplemental compensation in offer letters/contracts was identified as a major risk factor. Initially, LSUHSC-S's corrective action was to update all clinical faculty contracts to accurately reflect current total compensation. Original estimates anticipated that this would be completed by June 30, 2023. However, in January 2022, LSU Internal Audit released the results of an audit by Ernst and Young that concurred with the LLA findings and identified additional risks to be addressed. Upon further analysis, LSUHSC-S came to recognize that many of the historical processes in place were fundamentally inadequate to effectively address the complexity and scope of the finding, consequently the timeline had to be extended. The original corrective action plan did not account for process restructuring (including institution-wide systems programming), policy development, and overall documentation upgrades needed to implement effective, ongoing processes.

Offer Letters/Contracts. Historically, no standard template or central warehousing had been considered in the contract process. Contracts were not subject to a review process or a regular cadence, leading to lapses in review and renewal. To correct this, a cadence corresponding to offer letter/contract expiration was established. To enable timely reporting of contract expiration and incorporate payment terms from offer letters, the HR module in PeopleSoft is also being expanded to serve as a central database for offer letters/contracts.

While the module expansion is in development, Human Resources (HR) has created a standardized offer letter/contract template for use in the interim and has worked with business managers and OLPG to update all existing contracts and contract periods. HR has been designated as the official repository for all offer letters/contracts. Offer letters/contracts are signed via DocuSign creating an electronic record and audit trail. Examples of newly executed offer letters for clinical, non-clinical, and gratis faculty illustrating the current design and practices are provided.

To serve as the guiding principle for establishing supplemental compensation to clinical providers, a Physician Compensation Philosophy was adopted. Policies and procedures for reviewing current and expired clinical faculty letters of offer were created by a collaboration of representatives from administration, human resources, finance, and the Ochsner LSU Practice Group (OLPG). This collaborative undertook the task of reviewing all components of physician/faculty compensation ensuring terms are within fair market value (FMV) and are commercially reasonable based on national data, market trends, and other contributing factors. Previously, no official process existed for fair market value assessments at the time contracts were executed or amended.

In December 2022, the Compensation Committee, whose membership includes LSUHSC-S administration, OLHS administration, and LSUHSC-S faculty, was formed to oversee departments' adherence to compensation plans based on the Physician Compensation Philosophy. The work of the Compensation Committee was delayed in January 2023 to allow the new chancellor time to review compensation plans and provide input. In August 2023, the Executive Committee of the Compensation Committee (a subcommittee of the Compensation Committee with a focus on higher-level decision-making) resumed meeting. The Executive Committee of the Compensation Committee meets weekly to evaluate FMV rates and to continue updating expired contracts/offer letters.

The new compensation model also considers all sources of funding when making a fair market value assessment. The enhanced letter of offer process includes documented support for contract revenues and other funding sources. To provide documented details for clinical supplemental pay, a pro forma is requested from OLPG and sent to HR for use in generating an offer letter. A formalized procedure for requesting an offer letter and ensuring accurate assessment of fair market value was created in 2023.

Expanding its focus beyond clinical faculty, LSUHSC-S is reviewing and updating contracts of **all** faculty members, including those in the Schools of Graduate Studies and Allied Health Professions, as well as gratis faculty. As of 12/31/2023, 96% of clinical faculty and 94% of the total 980 faculty have received and completed updated employment Letters of Offer (LOO). The remaining are in process from negotiations to waiting on signatures for completion. We expect to have these outliers due to the complexity of renewal negotiations and consider 4-6% outliers a reasonable number for rolling updates. To address these limited outliers, LSUHSC-S obtains an interim memo outlining the current compensation with appropriate approvals.

As of 1/1/2024 LSUHSC-S began the planned LOO renewal process outlined in Administrative Directive 1.1.11 Fair Market Value and Commercially Reasonable Review and Administrative Directive 2.6.6 Faculty Offer Letter.

Supplemental Pay. Prior to the implementation of the corrective action plan, the process of reporting supplemental pay to payroll was manual. Business managers compiled a spreadsheet recording the pay of each clinical faculty member line by line. This method lacked a review of supporting documentation, creating the potential for human error. Consequently, no administrative review occurred before the documents were sent to the Dean of the School of Medicine for his signature each month.

Implemented in late Fall 2022, a new payroll process now mandates documented support for various supplemental pay types, such as call pay, contract pay, and shift pay. A streamlined workflow for this documentation, facilitated by DocuSign, includes signed attestations of time worked to ensure easy and accurate record capture. Completed documentation is then embedded in a standardized monthly supplemental pay request template that details documentation requirements. This template collects all documentation in single file for easy tracking and creating an audit trail. Standardization ensures that appropriate documentation is captured in support of each payment request. Additionally, the template prompts two layers of review before submission to the Dean for approval and to payroll for processing.

In October 2023, as a further control to the process, an automated approval workflow was implemented in PeopleSoft, which entailed validation of employee IDs, review of entries to avoid duplication, and calculation of payments, reducing most manual entry and human error. Additional benefits include the seamless integration of data into the payroll system, eliminating the need for secondary manual processing, and the creation of an audit trail within PeopleSoft. As an enhancement, LSUHSC-S incorporated ten specific tracking codes for supplemental pay into the PeopleSoft automated workflow, enabling the identification and tracking of individual pay types for reporting purposes.

Currently, PeopleSoft developers are programming a tracker in the HR module to incorporate the type and terms of supplemental pay as recorded in faculty offer letters/contracts. Once this task is complete and information is entered, the supplemental payroll process will be further enhanced by the ability to verify compliance with contractual payment terms across both the financial and HR systems and issue warnings to business managers in cases where terms and payments do not reconcile as an additional control on payroll.

As a result of this major effort and the additional controls put in place, LSUHSC-Shreveport anticipates resolution of this audit finding in FY 2024.

Name of Contact(s) Responsible for Action Plan

Jen Katzman, Assistant Vice Chancellor of Administration and Finance
Marcia Scarmardo, Program Advisor

Sincerely,



Cindy Rives, MPA
Vice Chancellor of Administration and Finance

CC: David Guzick, MD, PhD
Chancellor



Administration and Finance

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February 16, 2024

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RE: FYE2023

**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 concerns/issues identified by your staff. LSUHSC-S concurs with the recommendation for addressing the finding and provides the following response and corrective action plan.

Recommendation:

Management should monitor, investigate, and obtain justification from department personnel for untimely time and effort certifications, untimely adjustments, and lack of supporting documentation for adjustments to enforce established policies.

Response and Corrective Action Plan:

To continue to strengthen the institutional internal controls within award management, LSUHSC-S is addressing the organizational structure.

LSUHSC-S historical organizational structure reflects the award management of grants administration and grants accounting functions separately. In contrast, the prevailing model at peer institutions is centralized management, aiming to enhance communication and transparency across grants administration and finance. In response, LSUHSC-S is actively taking steps to consolidate these functions under joint authority. The chancellor has approved an organizational restructuring of award management resulting in the creation of the Office for Sponsored Awards Management (SAM). This office will operate under a Director reporting jointly to the Vice Chancellor for Research and Chief Financial

Officer. The institution is initiating the recruitment of a SAM Director and Associate Director of Grants and Contracts Accounting to further strengthen the research infrastructure.

In addition, the following processes are under revision and /or implemented to enforce award management requirements.

Time and Effort Reporting. LSUHSC-S Administrative Directive 4.4: Time and Effort Reporting and Certification will be updated to reflect the on-line process that is being developed through our Peoplesoft IT Group and with the LSUHSC- New Orleans functional users.

Once operational, Office for Sponsored Awards Management (SAM) will evaluate the time and effort reporting procedures, along with associated forms used to report supporting evidence, ensuring accurate documentation and recertification of time and effort for each personnel action as reported on active grants. SAM will also monitor and maintain time and effort certifications to ensure alignment of cost transfers with award terms.

Cost Transfers. Effective July 2023, LSUHSC-S implemented new policies, specifically Administrative Directive 1.1.8: Closing Out Grants and Contracts and Administrative Directive 1.1.9: Elimination of Grants and Contracts Account Overdrafts, outlining procedures to facilitate the closure of grants and contracts accounts and to eliminate overdrafts within such accounts. These directives include the establishment of a matrix detailing responsibilities and timelines for closing out grants. The policies offer procedural guidance to rectify overdrafts beyond the approved budget.

A feature in PeopleSoft is activated to restrict personnel expenditures exceeding budget limits or extending beyond the performance period. Such expenditures are recorded in a suspense account, subject to review by departmental business staff for the identification of alternate funding sources. To prevent non-personnel expenditures beyond the performance period, LSUHSC-S assigns end dates to sponsored awards.

Training. LSUHSC-S continues to conduct and improve training sessions and educational meetings that cover federal, state, and institutional requirements. Mandatory annual training for all employees involved or planning to engage in research includes a module on time and effort certifications and expense monitoring. In addition to the annual training, supplementary education consists of one-on-one departmental meetings held by the Office for Sponsored Programs, continuing education for department business managers and administrative staff, and specialized sessions designed for research personnel. Examples of such educational opportunities include a New Grant Award Meeting and additional training sessions publicized in the Research Matters Newsletter.

Emphasis is placed on grant management organizational podcasts and classes for seasoned and new business staff, principal investigators, and institutional grant and contract support staff.

Name of Contact(s) Responsible for Action Plan

Marcia Scarmardo, Chief Advisor to Chancellor
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

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...

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Vice Chancellor for Administration and Finance



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February 14, 2024

Michael J. "Mike" Waguespack, CPA
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RE: FYE2023

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

Dear Mr. Waguespack,

LSU Health Sciences Center in Shreveport (LSUHSC-S) is in receipt of your office's FYE2023 audit report for special tests and provisions requirements. LSUHSC-S concurs with the finding regarding documentation and agrees with the recommendations set forth by your staff.

Recommendation:

Management should 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 Office of Sponsored Programs (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 a disengagement from a project for more than three months for the PI or any senior/key personnel named in the notice of award. OSP has created a "Change in Senior/Key Personnel" Template for the Department Principal Investigators and Business Managers to complete for submission to OSP. This additional process requirement notice will be distributed through the weekly Research Matters newsletter, campus wide email, new award meetings, and research business manager meetings.

The two audit exceptions identified reflected the time and effort certification form did not agree to the final effort reported to the federal grantor through the Research Performance Progress Report (RPPR) and there was no evidence of prior approval from the federal grantor for a change in key personnel.

LSUHSC-S reviewed the documentation of the two audit exceptions and verified the effort reported on the RPPR for key personnel did not require written approval from the federal grantor.

Name of Contact(s) Responsible for Action Plan

Annella Nelson, Assistant Vice Chancellor for Research Development
Valarie White, Director, Office of Sponsored Programs (OSP)
Marcia Scarmardo, Senior Advisor to Chancellor
Jen Katzman, Assistant Vice Chancellor for Administration and Finance

Anticipated Completion Date: Continuous

Recommendation:

Management should revise the Time & Effort Certification policy or implement alternative controls designed to ensure compliance with Special Tests & Provisions requirements.

Response with Corrective Action Plan:

To strengthen the internal controls for special tests and provisions requirements LSUHSC-S is updating both the time & effort certification policy and the personnel action form (PER) for funding and % of effort changes. The personnel action documentation (PERs) will include the requirement for expanded explanations for the hiring process and/or current employee updates/changes.

These anticipated document revisions will assist the department principal investigators and business managers in meeting compliance requirements.

Anticipated Completion Date: June 2024

Name of Contact (s) Responsible for Action Plan:

Marcia Scarmardo, Senior Advisor to Chancellor
Jen Katzman, Assistant Vice Chancellor for Administration and Finance
Annella Nelson, Assistant Vice Chancellor for Research Development
Valarie White, Director, Office of Sponsored Programs

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:

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Cindy Rives, MPA

Vice Chancellor of Administration and Finance

Attachment:

LSUHSC-S Research Sponsored Programs Change in Senior/Key Personnel Form

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, 2022, through June 30, 2023, 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, 2023.

- 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, 2023, as a part of the 2023 Single Audit.
- We performed certain 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, 2023, as a part of the 2023 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 management for significant variances.

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.