

LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER –
HEALTH CARE SERVICES DIVISION

LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 9, 2020

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

LSU Health Sciences Center –
Health Care Services Division



December 2020

Audit Control # 80200094

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, 2020, we performed procedures at the LSU Health Sciences Center – Health Care Services Division (HCSD) to provide assurances on financial information that is significant to the System’s financial statements; evaluate the effectiveness of HCSD’s internal controls over financial reporting and compliance; and determine whether HCSD complied with applicable laws and regulations.

Results of Our Procedures

Current-year Finding

Weaknesses in Controls over Financial Accounting and Reporting

HCSD did not maintain sufficient evidence that internal controls related to financial reporting, including bank reconciliations, were designed effectively and implemented. Although HCSD management asserted that controls over financial accounting and reporting were implemented and effective, management did not document and maintain evidence of the performance of certain internal controls related to financial reporting. Failure to document the performance of internal controls increases the risks that the controls were not performed as designed and that errors and/or fraud could occur and not be detected in a timely manner.

Management asserted that the review of the financial statements, footnotes, leases receivable, and unearned revenue balances was performed during an in-person meeting, but no evidence could be provided to support the control being completed. Performance of internal controls must be supported by observable evidence. When no evidence could be provided, auditor inquired about compensating controls that may be in place, but there was also not sufficient evidence for the compensating controls identified by management. In addition, evidence could not be provided to determine the preparer for two monthly bank reconciliations selected for testing, and the reviewer’s approvals occurred 58 days and 125 days after the bank statement date.

HCSD management should ensure that all internal controls are implemented and that observable evidence is maintained. In addition to documentation of existing internal controls, management should consider implementing an electronic journal entry approval function within its accounting

system or an equivalent control. Furthermore, bank reconciliation preparers and reviewers should document completion with signatures and dates as close to the statement date as possible. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Financial Statements - Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2020, we considered HCSD's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Cash and Cash Equivalents and Leases Receivable

Liabilities - Unearned Revenues

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

Statement of Revenues, Expenses, and Changes in Net Position

Expenses - Hospital Expenses

Based on the results of these procedures on the financial statements, we reported a finding related to Weaknesses in Controls over Financial Accounting and Reporting, as described previously. In addition, the account balances and classes of transactions tested are materially correct.

Other Procedures

In addition to the System procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing HCSD's internal control and compliance with related laws and regulations over payroll. We also reviewed HCSD's compliance with Louisiana's public bid law (Louisiana Revised Statutes 38:2211-2296) and laws and regulations related to contracts.

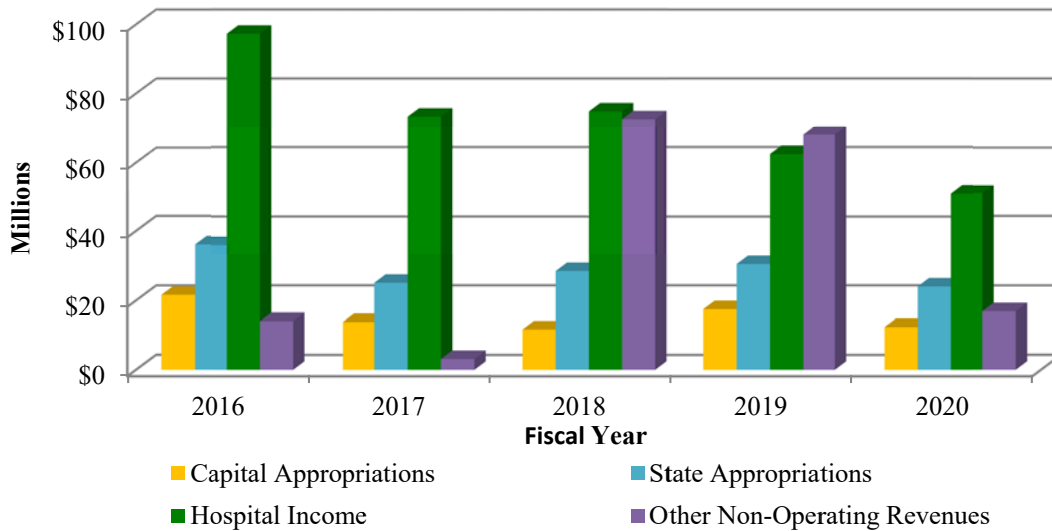
Based on the results of these procedures performed, we did not report any findings.

Trend Analysis

We compared the most current and prior-year financial activity using HCSD's Annual Fiscal Reports and/or system-generated reports and obtained explanations from HCSD's management for any significant variances. We also prepared an analysis of revenues, over the past five fiscal years, as shown in Exhibit 1.

In analyzing financial trends of HCSD over the past five fiscal years, total revenues have decreased by 38.4% since fiscal year 2016. Hospital income received has decreased 47.7% since fiscal year 2016 due to the hospital partners no longer needing transition services from HCSD while non-operating revenues has fluctuated due to HCSD’s leases with the hospital partners.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Year 2016-2019 LSU System Audit Reports; 2020 HCSD Annual Fiscal Report

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of HCSD. The nature of the recommendation, its implementation costs, and its potential impact on the operations of HCSD should be considered in reaching decisions on courses of action.

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

ABS:JPT:BH:EFS:aa

HCSD2020

APPENDIX A: MANAGEMENT'S RESPONSE

November 10, 2020

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Weakness in Controls over Financial Accounting and Reporting

Dear Mr. Purpera:

The LSU Health System, Health Care Services (HCSD) concurs with the audit finding Weakness in Controls over Financial Accounting and Reporting for the Fiscal Year Ended June 30, 2020. Although staff worked diligently to prepare and review the financial statement preparation process through a team approach to ensure correctness, the preparation and review processes lacked complete documentation. HCSD recognizes that internal controls need to be strengthened to sufficiently document the financial statement preparation and other routine financial processes.

Corrective Action Plan

HCSD will ensure that the financial statement preparation activities for Fiscal Year 2021 and future years include documentation of the preparation and review processes for financial statements, footnotes, and lease receivable and unearned revenue balances.

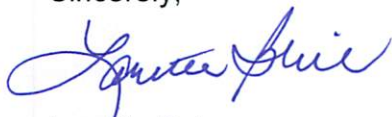
HCSD has already corrected and will continue to document the preparation and review of the monthly bank reconciliation as close to the statement date as possible.

HCSD will strengthen protocols to routinely review and document the journal entry report from the financial accounting system.

Person Responsible for Corrective Action Plan

As Chief Operating Officer, I will be responsible for the overall corrective action plan. If further information is needed, please contact me at (225) 354-7008 or by e-mail at lbuie@lsuhsc.edu.

Sincerely,



Lanette Buie
Chief Operating Officer

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the LSU Health Sciences Center – Health Care Services Division (HCSD) for the period from July 1, 2019, through June 30, 2020, 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 for the year ended June 30, 2020.

- We evaluated HCSD’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 HCSD.
- Based on the documentation of HCSD’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 compared the most current and prior-year financial activity using HCSD’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from HCSD’s management for significant variances.

In addition, we performed procedures on payroll, the Louisiana public bid law, 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 HCSD and not to provide an opinion on the effectiveness of HCSD’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 HCSD’s Annual Fiscal Report, and accordingly, we do not express an opinion on that report. HCSD’s accounts are an integral part of the System’s financial statements, upon which the Louisiana Legislative Auditor expresses opinions.