

LALLIE KEMP REGIONAL MEDICAL CENTER  
LOUISIANA STATE UNIVERSITY SYSTEM  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED JULY 1, 2020

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

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at [www.lla.la.gov](http://www.lla.la.gov).

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.20. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at [www.lla.la.gov](http://www.lla.la.gov). When contacting the office, you may refer to Agency ID No. 3443 or Report ID No. 80200009 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

---

# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Lallie Kemp Regional Medical Center

July 2020

Audit Control # 80200009

---

### Introduction

The primary purpose of our procedures at 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. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

### 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 on selected controls and transactions relating to accounts receivable, pharmacy inventory, net patient services revenue, purchasing card expenses, payroll and personnel expenses, and non-payroll expenses.

---

### Follow-up on Prior Report Finding

We reviewed the status of the prior-report finding in the Louisiana State University Health Sciences Center - Health Care Services Division's management letter dated December 12, 2018. We determined that management has resolved the prior-report finding related to Inadequate Controls over Outpatient Pharmacy User IDs.

---

### 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 requests for payment notices to debtors and the January 18, 2020 data collection report submitted to the Office of Debt Recovery (ODR) to ensure compliance with state law. 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 ODR, and LAKMC complied with state laws and the terms of the agency's Participation Agreement with ODR.

---

## **Pharmacy Inventory**

LAKMC's pharmacy inventory totaled \$539,495 at June 30, 2019. 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, 2019, 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; medications were appropriately stored and safeguarded; and all applicable laws and regulations were followed.

---

## **Net Patient Services Revenue**

Net patient services revenue comprised 84% of operating revenues in fiscal year 2019. 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 financial class determinations for free care and self-pay. We reviewed selected charges and determinations during the period July 1, 2018, through December 31, 2019. Based on the results of our procedures, LAKMC had adequate controls to ensure free care and self-pay financial classes were determined appropriately, were adequately supported, and complied with applicable laws and regulations.

---

## **Purchasing Card Expenses**

LAKMC participates in the state of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenses. We obtained an understanding of LAKMC's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2018, through December 31, 2019, and reviewed selected transactions. Based on the results of our procedures, LAKMC had adequate controls to ensure that purchases were approved and made for proper business

purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

---

## **Payroll and Personnel Expenses**

Salaries and related benefits comprise approximately 63% of LAKMC's expenses in fiscal year 2019 and 57% for the first six months in fiscal year 2020. 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 properly accounted for.

---

## **Non-payroll Expenses**

We obtained an understanding of controls over non-payroll (operating and supplies) expenses. We reviewed selected transactions during the period July 1, 2018, through December 31, 2019, and examined supporting documents, including purchase requisitions, purchase orders, and travel authorizations 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.

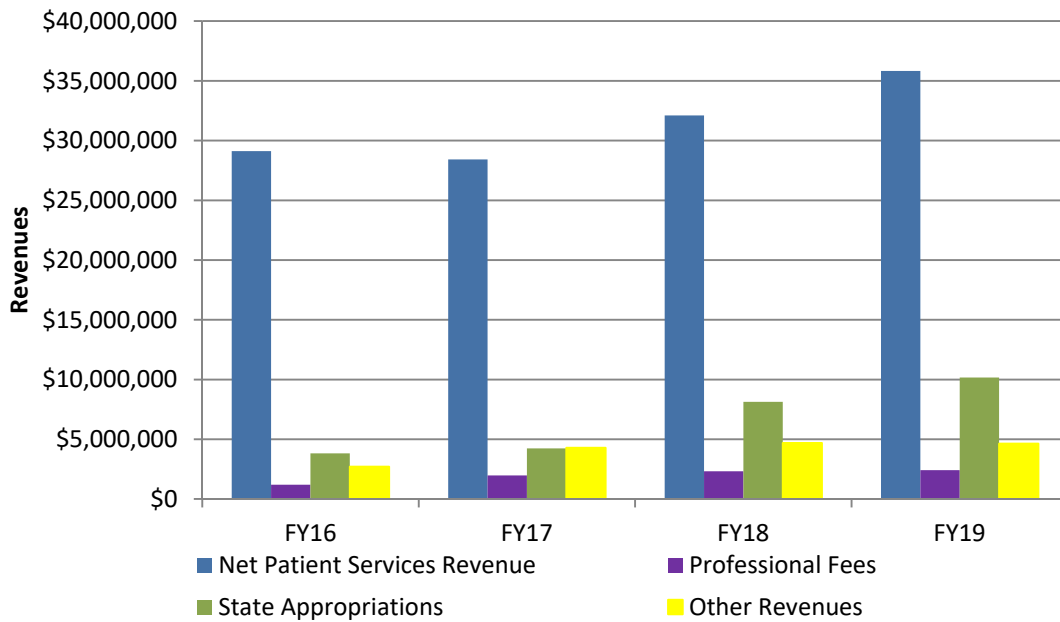
---

## **Trend Analysis**

We compared the most current and prior-year financial activity using LAKMC's Annual Fiscal Reports and obtained explanations from LAKMC's management for any significant variances. We also prepared an analysis of LAKMC's revenue trends for the four previous fiscal years.

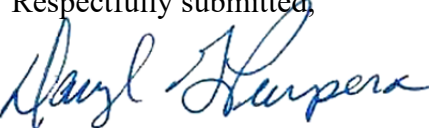
LAKMC is funded with state general fund appropriations, net patient services revenue, professional fees, and other revenues. Due to Medicaid expansion and a greater reliance on fee-for-service billing, net patient services revenues and professional fees have increased over the previous four fiscal years.

### Four Year Trend - Revenues



Source: Fiscal Year 2016-2019 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,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

EE:ETM:RR:EFS:aa

LAKMC2019

## APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at Lallie Kemp Regional Medical Center (LAKMC) for the period from July 1, 2018, through June 23, 2020. 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 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 on selected controls and transactions relating to accounts receivable, pharmacy inventory, net patient services revenue, purchasing card expenses, 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.