

LOUISIANA STATE UNIVERSITY HEALTH SCIENCES
CENTER IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JUNE 23, 2022

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Louisiana State University Health Sciences
Center in Shreveport

June 2022



Audit Control # 80210082

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, 2021, 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. In addition, we 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 5, 2021. The prior-year findings related to Noncompliance with Joint Venture Agreements, Inadequate Monitoring of Service Organizations, Weakness in Controls Over Payroll, Noncompliance and Control Weakness Related to Billing and Collections, Weaknesses in Controls over Federal Research and Development Expenses, Weakness in Controls with Special Tests and Provisions Requirements, and Noncompliance with Subrecipient Monitoring Requirements have not been resolved and are addressed again in this letter.

Current-year Findings

Noncompliance with Joint Venture Agreements

For the second consecutive year, LSUHSC-S did not receive net physician claims revenue for physician services provided at the Monroe facility in accordance with the joint venture agreements (agreements) with the hospital partner nor were these amounts reported to LSUHSC-S. Based on reports provided by the subservice billing organization, net collections for physician services at the Monroe facility during the fiscal year ending June 30, 2021, were \$8,466,085. Although LSUHSC-S exceeded the “Maximum Claims Revenue Amount,” per the

agreements which limits the amount of collections the subservice billing organization would submit to LSUHSC-S, noncompliance with the terms of the agreements, related to the Monroe facility, may impact management's annual evaluation of the contract terms in accordance with the program budget and true-up/settlement provisions and could result in a loss of revenue for LSUHSC-S.

Through the agreements, LSUHSC-S faculty provides physicians and non-physician practitioners employed by LSUHSC-S to deliver services to partner hospital facilities through a third-party service organization. The third-party service organization has a subservice organization that performs billing and collection services for the LSUHSC-S faculty services provided and pays net physician claims revenues to LSUHSC-S. The net physician claims revenue is gross claims revenue less contractual allowances, discounts, bad debt, etc., minus the subservice billing organization's operating expenses.

LSUHSC-S represented that at the beginning of the joint venture with the current hospital partner, LSUHSC-S and the third-party service organization made the decision to continue treating the Monroe facility in the same manner as with the prior hospital partner. The prior hospital partner performed billing and retained collections for the physicians providing services at the Monroe facility and reimbursed LSUHSC-S for its costs. Under the current joint venture, LSUHSC-S represented that it considers the annual base compensation amount received from the hospital partner for the start-up period for the fiscal year ended June 30, 2021 to cover the costs of these physicians. However, this arrangement is inconsistent with the agreements and inconsistent with how LSUHSC-S is receiving collections from the other hospital facility. The joint venture agreements state that LSUHSC-S shall be paid the annual base payment in addition to the net physician claims revenue.

LSUHSC-S should establish policies and procedures to ensure net physician claims revenue for physician services provided at the Monroe facility are reported and collected in accordance with the joint venture agreements. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Weakness in Controls Over Monitoring of Service Organizations

For the second consecutive year, LSUHSC-S did not adequately monitor the billing and collection services performed by the 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.

LSUHSC-S represented that it did not receive sufficient data from the service organization or subservice organization to perform an adequate review of the billings and collections to ensure all physician services were recorded for billing until December 2020, which included data through November 2020.

Based on a review of the June 2021 department responses for variances in the charges billed for May 2021, the responses were inconsistent, and/or insufficient to explain the variances and there

was no evidence of follow up by management. Management also represented that the review process subsequently implemented needs more monitoring and consistency in responses. Good internal controls require that management have procedures to ensure all services are accurately recorded, billed, and collected.

Management should implement policies and procedures to ensure services provided by LSUHSC-S physicians are properly billed and collected by the service organization or subservice organization 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 3-4).

Weakness in Controls Over Payroll

For the second consecutive year, LSUHSC-S did not maintain adequate controls over payroll processing. Inadequate documentation of authorized supplemental compensation increases the risk of overpayments to employees. In addition, untimely certifications and approvals increase the risk of more retroactive adjustments causing inefficiencies in the payroll process and increases the risk that errors and/or fraud may not be detected in a timely manner.

We sampled 15 employees by pay periods between July 1, 2020, and June 30, 2021, and noted three employees (20%) did not have adequate documentation supporting the authorized rate of the supplemental compensation totaling \$60,725.

In addition, we analyzed the monthly payroll certification process required by Louisiana Revised Statute 17:3311A(3), which requires monthly certifications of attendance and leave records for unclassified employees. LSUHSC-S processes leave accrual for faculty and unclassified employees one month in arrears. Faculty and unclassified employees are not required to certify their time and leave until approximately one month after payroll has been processed. Therefore, hours worked and leave taken is not certified until at least one month after the employee is paid.

Management should design and implement policies and procedures that require adequate support, including the reason and rate for supplemental pay, to be maintained and properly approved. In addition, management should ensure monthly certifications are completed timelier. Management partially concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

Inadequate Controls Over Accounts Receivable

For the fourth consecutive year, LSUHSC-S does not have adequate controls over state and private grants and contracts to pursue collection of accounts receivable. Failure to implement adequate collection procedures increases the risk that delinquent accounts could become uncollectible.

LSUHSC-S reported \$66.9 million in state and private grants and contracts gross accounts receivable and a related allowance for doubtful accounts for \$2.6 million as of June 30, 2021. Of this balance, \$23.6 million of gross accounts receivable was outstanding from fiscal year 2011 to May 30, 2021.

We reviewed 17 invoices, with an invoice date on or before May 30, 2021, included in the outstanding accounts receivable balance as of June 30, 2021, and evaluated collection and/or subsequent notice procedures performed during the fiscal year ending June 30, 2021. The following were noted:

- For 10 (59%) of the 17 outstanding invoices, LSUHSC-S did not send the 30- and/or 60-day collection notices timely from the date of the original invoice and/or the date of the previous notice. One vendor responded to an untimely notice sent by LSUHSC-S that it was the vendor's policy not to pay invoices older than one year and therefore would not pay \$387,973 of multiple outstanding invoices.
- For eight (47%) of the 17 outstanding invoices that had no payment received, LSUHSC-S did not refer the delinquent account to the Louisiana Attorney General's Office (AG) or the state's Office of Debt Recovery (ODR) for collection in accordance with its contracts with the two agencies.

LSUHSC-S did not comply with its policy to notify debtors of past due balances or to refer delinquent accounts to the AG or ODR to pursue collection. Management should implement procedures to ensure multiple bills are submitted to debtors on past-due accounts and, after such established collection efforts are exhausted, ensure delinquent accounts are submitted to the AG or ODR in accordance with contract terms and LSUHSC-S's policy. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 7-8).

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

For the third consecutive year, LSUHSC-S did not ensure internal control over documentation of personnel services were operating effectively, and in addition, did not ensure compliance with federal guidance regarding cost transfers applicable to the Research and Development Cluster (R&D). 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 the approved project.

LSUHSC-S utilizes Time and Effort Certifications to support salary charges to sponsored projects as an after-the-fact certification of effort of all individuals when all or a portion of their salaries are charged to a sponsored project. Based on the LSUHSC-S's policy, the Time and Effort Certifications should be completed within approximately 30 days of the end of the quarter. Management interprets the end of the quarter to be when the time and effort reports are sent to the departments once the last month of the quarter is closed in the accounting system. If there is a substantial (5% or more) difference between the salary charges and the effort actually expended by the individual on projects during the quarterly reporting period, a payroll reallocation must be created within 30 days.

In a sample of 10 out of 4,392 payroll expense transactions charged to R&D, four (40%) Time and Effort Certifications were completed eight to 22 days after the date required by policy.

Although LSUHSC-S has procedures in place for personnel to certify actual time and effort expended on federal awards, management represented that additional training of department personnel was needed on how to appropriately complete the time and effort certification reports. LSUHSC-S held trainings in fiscal year 2021; however, the training and compliance review did not continue as originally planned due to staffing issues.

We performed an analysis of payroll adjusting journal entries to record cost transfers to and/or from R&D awards. We noted that 2,346 out of 4,338 adjusting journal entries were made more than 60 days after the end of the quarter from the original transactions. The adjustments were made 129 to 990 days after the original transactions were recorded and 68 to 904 days after the quarter ended.

We tested 19 out of 355 payroll adjusting journal entries, by employee and journal id. For 12 of the 19 (63%) adjusting entries tested, LSUHSC-S did not maintain adequate documentation for cost transfers to fully explain how the error occurred and a sufficient explanation to support the correctness of the new charge.

LSUHSC-S currently has a Cost Transfer Form that, if properly completed, would satisfy the documentation requirements for cost transfers. LSUHSC-S is not currently using this form to document cost transfers. Instead, LSUHSC-S is using a payroll form to document cost transfers that is not designed to adequately document justification for cost transfers in accordance with federal guidance.

Management should monitor Time and Effort Certifications completed by the departments and investigate and obtain justification from department personnel for untimely certifications as well as untimely adjustments and lack of supporting documentation for the adjustments to enforce established policies. Management should also consider implementing other complementary controls such as preventing costs from being charged to projects in the accounting system beyond the approved budget or period of performance. Furthermore, management should consider using the Cost Transfer Form, or revise the payroll form currently being used, to adequately document cost transfers. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 9-11).

Weakness in Controls with Special Tests and Provisions Requirements

For the third 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 seven federal R&D Cluster awards, plus an additional award tested based on materiality, for the fiscal year ending June 30, 2021. The awards tested had 12 key personnel and two (17%) had documentation of the key personnel's effort 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 change in key personnel. Failure to implement controls over key personnel requirements could result in noncompliance with federal requirements.

Federal regulations require that for federal awards, recipients must request prior approvals from federal awarding agencies for changes in the scope or the objective of the project or program;

changes in a key person associated with the award; disengagement from the project for more than three months, or a 25% reduction in time devoted to the project, by the approved project director or principal investigator.

Although LSUHSC-S has procedures in place for personnel to certify actual time and effort expended on federal awards, management represented that additional training of department personnel was needed on how to appropriately complete the Time and Effort Certification reports. LSUHSC-S held trainings in fiscal year 2021; however, the training and compliance review did not continue as originally planned due to staffing issues. In addition, there are no procedures in place to use the Time and Effort Certifications to monitor the effort of key personnel and verify that the principal investigator has obtained prior written approval from the federal grantor for changes in effort for key personnel.

Management should complete the necessary training for Time and Effort Certifications. Management should also utilize the Time and Effort Certifications to 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 concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 12-14).

Noncompliance with and Weakness in Controls Over Subrecipient Monitoring Requirements

For the second consecutive year, LSUHSC-S did not ensure that required audits were completed within nine months of the subrecipient's fiscal year-end, as required by federal regulations. In addition, LSUHSC-S did not fully implement controls to evaluate subrecipient's risk of noncompliance or make timely payments to subrecipient as required by federal regulations.

Failure to properly monitor subrecipients, assess risk of noncompliance, and verify they are not debarred, suspended, or otherwise excluded results in noncompliance with federal regulations and increases the likelihood of improper payments, which may have to be returned to the federal grantor. Failure to make timely payments to subrecipients may result in the pass-through entity requesting reimbursement from the federal agency before the payment to the subrecipient is complete.

In a test of all R&D Cluster projects with total payments to subrecipients that exceeded \$25,000 for the fiscal year ended June 30, 2021, which included 11 subrecipient agreements with nine subrecipients, the following was noted:

- For five of 11 (45%) subrecipient agreements tested, LSUHSC-S did not evaluate the subrecipient's risk of noncompliance with federal statutes, regulation, and terms and conditions on the subaward for determining appropriate subrecipient monitoring procedures.
- For three of nine (33%) subrecipients, LSUHSC-S did not receive an audit report to ensure that required audits were completed within nine months of the subrecipient's fiscal year-end.

- For one of nine (11%) subrecipients, LSUHSC-S did not verify the entity with which it entered into a covered transaction is not debarred, suspended, or otherwise excluded.

In a random sample from a population of 96 subrecipient reimbursement expenses from the agreements noted above, LSUHSC-S did not make payment within 30 calendar days after receipt of the billing for eight of 23 (35%) subrecipient payments tested. Payment was made from three to 22 days beyond the 30 calendar days.

LSUHSC-S did not obtain a signed Subrecipient Commitment Form from all subrecipients, which is used to evaluate each R&D Cluster award subrecipient's risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward. Also, LSUHSC-S did not obtain a completed Subrecipient Monitoring Certification Letter and Subrecipient Profile Questionnaire from all subrecipients, which HSCS uses to ensure continued monitoring requirements are met. LSUHSC-S did not timely process subrecipient payments in accordance with federal regulations.

Management should evaluate the effectiveness of established controls and implement revisions as needed to ensure LSUHSC-S evaluates each subrecipient's risk of noncompliance, verifies audit requirements are met and evaluates the impact of any deficiencies noted, and ensures that the entity with which it entered into a covered transaction is not debarred, suspended, or otherwise excluded. In addition, management should ensure that subrecipient payments are processed timely and in accordance with federal regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 15-18).

Financial Statements - Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2021, 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 Noncompliance with Joint Venture Agreements, 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, as adjusted, 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, 2021, 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 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, Weakness in Controls with Special Tests and Provisions Requirements, and Noncompliance with and Weakness in Controls Over Subrecipient Monitoring Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2021. In addition, LSUHSC-S's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings is materially correct.

Other Procedures

In addition to the System and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing LSUHSCS's internal control and compliance with related laws and regulations over accounts receivable for state and private grants and contracts.

Based on the results of these procedures, we reported a finding related to Inadequate Controls Over Accounts Receivable, as described previously.

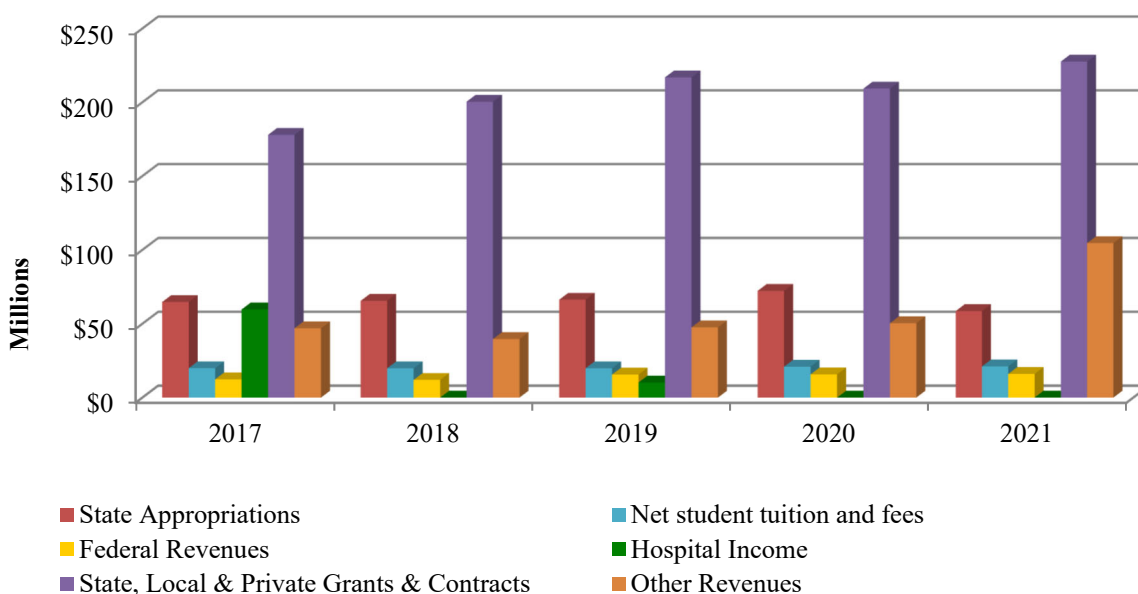
Trend Analysis

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. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

In analyzing financial trends of LSUHSC-S over the past five fiscal years, grant and contract revenue has generally increased since the privatization of LSUHSC-S’s hospitals in fiscal years 2014 and 2015. In fiscal year 2018, hospital income decreased due to a write-off of approximately \$54 million for uncompensated care receivables that was recorded against hospital income. Other revenues increased approximately \$54 million in fiscal year 2021 due primarily to a \$35 million increase in sales through the Center for Emerging Viral Threats and a \$16 million interagency agreement with LDH.

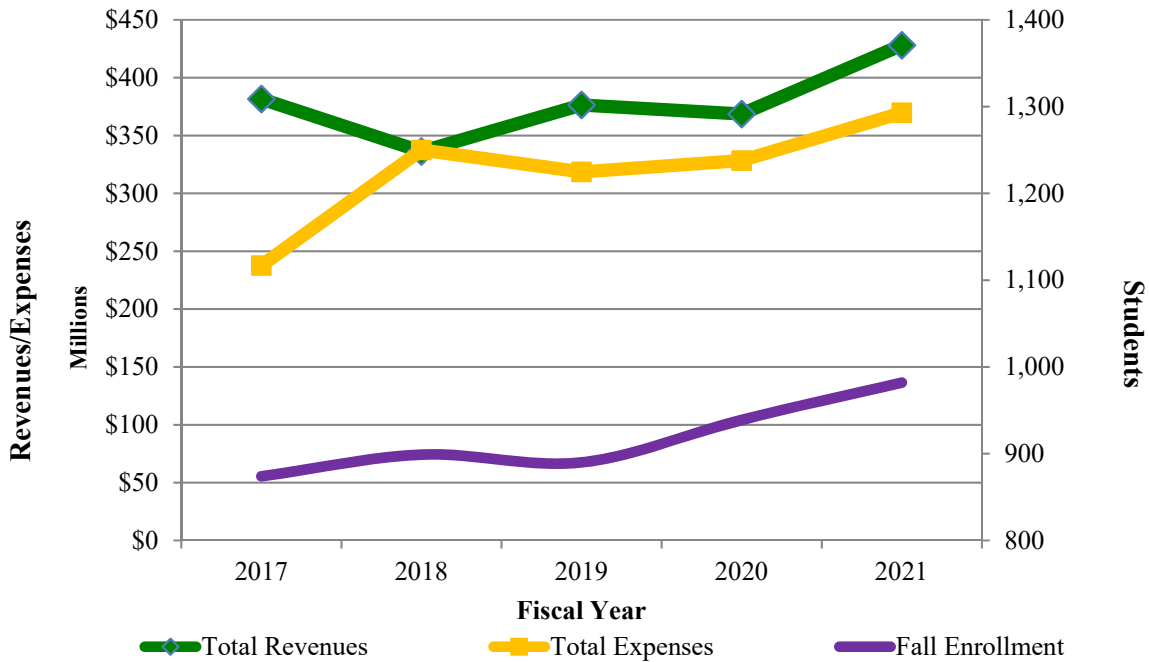
In fiscal year 2018, clinical operations, pension, and building and equipment lease expenses increased. In fiscal year 2019, expenses decreased due to a change in building and equipment lease payments related to the joint venture agreement with Ochsner. In fiscal year 2021, public service expenses increased approximately \$34 million as a result of increases in staffing, including full-time and part-time positions, and increased supplemental pay related to higher patient collections.

Exhibit 1
Five-Year Revenue Trend, by Fiscal Year



Source: Fiscal Years 2017-2021 Financial Statements, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Years 2017-2021 Financial Statements, as adjusted, and Board of Regents website

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:BH:EFS:ch

APPENDIX A: MANAGEMENT'S RESPONSES

Health Sciences Center

Vice Chancellor of
Administration and Finance

1501 Kings Highway
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Shreveport, LA 71130-3932

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May 4, 2022

Michael J. Waguespack, CPA
Legislative Auditor
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Noncompliance with Joint Venture Agreements

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to noncompliance with our Joint Venture Agreements. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues identified by your staff and we concur with the finding.

Recommendation:

LSUHSC-S should establish policies and procedures to ensure net physician claims revenue for physician services provided at the Monroe facility are reported and collected in accordance with the joint venture agreements.

Response:

LSUHSC-S completed credentialing Monroe providers under the Ochsner LSU Physicians Group (OLPG) by July 1, 2021 (FY 2022) as the prerequisite step for resolving this finding in compliance with the corrective action plan set forth in our initial management response letter. Net collections now flow through OLPG, and LSUHSC-S is reimbursed per the same procedures as the other physician clinical collections through the joint venture and in compliance with our agreements.

Corrective Action Plan:

LSUHSC-S continues to improve its controls through development of formalized reconciliation and monitoring procedures by June 30, 2022.

Name of Contact(s) Responsible for Action Plan:

Jen Katzman, Assistant Vice Chancellor of Administration and Finance

Sheila Faour, CFO

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

Sincerely,



Cindy Rives
Vice Chancellor of Administration and Finance

CC: David Lewis, MD, MBA
Interim Chancellor

Health Sciences Center

Vice Chancellor of
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May 4, 2022

Michael J. Waguespack, CPA
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P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Weakness in Controls Over Monitoring of Service Organizations

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to inadequacies of monitoring controls over our service organizations. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues identified by your staff and we concur with the finding.

Recommendation:

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

Response:

Using the Epic data, initial charge variance monitoring protocols were drafted and in action as of November 2020. In November 2021, clinical department Business Managers were re-tasked with completing this analysis monthly by the Assistant Vice Chancellor of Administration and Finance. When department charge variances exceed 20 percent and cannot be explained through normal course of business or show additional issues of concern, reports are marked for escalation and discussed with the Assistant Vice Chancellor. Any issues are raised by the Assistant Vice Chancellor at the weekly Ochsner LSU Physicians Group (OLPG)/Ochsner Billing Call with the Revenue Cycle team to research and correct if needed. Action items are logged until resolved. The management follow up process and corresponding documentation was newly added to our internal monitoring protocol in FY 2022.

Corrective Action Plan:

LSUHSC-S is further developing a process for charge reconciliation sampling and trend monitoring as the second phase of its monitoring protocols. This protocol is currently projected to be in place by June 30, 2022, for reporting to begin in FY2023.

Name of Contact(s) Responsible for Action Plan:

Jen Katzman, Assistant Vice Chancellor of Administration and Finance

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

Sincerely,



Cindy Rives

Vice Chancellor of Administration and Finance

CC: David Lewis, MD, MBA
Interim Chancellor

Health Sciences Center

Vice Chancellor of
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May 4, 2022

Michael J. Waguespack, CPA
Legislative Auditor
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P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: **Weakness in Controls Over Payroll**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to inadequacies of monitoring controls over payroll. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues identified by your staff and we partially concur with the findings.

Recommendation:

Management should design and implement policies and procedures that require adequate support, including reason and rate for supplemental pay, to be maintained and properly approved.

Response:

LSUHSC-S partially concurs with the finding due to the ongoing progress of the corrective action plan and the current supplemental pay process being implemented. The physician group, OLPG (Ochsner LSU Physicians Group), works with all clinical departments and LSUHSC-S administration on developing compensation structures for current clinical faculty. This process has been ongoing since 2019. The partnership began October 2018 (FY2019). Due to the number of clinical faculty and complexity of the compensation structure, the process for developing new and updated offers and compensation takes extensive review and time. Therefore, until all departmental faculty compensation is addressed, the decision has been made to continue the current pay structure for consistency and retention. The response to the original finding in FYE2020 noted that this process is ongoing; however, LSUHSC-S is working to have the necessary supplemental pay procedures in place by June 30, 2023.

Corrective Action Plan:

LSUHSC-S will continue to work with the physician group, OLPG, on the development of compensation structures for clinical faculty. In addition, the Vice Chancellor for Administration and Finance has established a committee to implement an improved process for submission, review, and processing of all supplemental pay by June 30, 2023 (FY2023).

Name of Contact(s) Responsible for Action Plan:
Sheila Faour, CFO

Recommendation:
Management should ensure monthly certifications are completed timelier.

Response:
Through Fiscal Year 2021, the Leave Request form process allows for submission prior to the leave being taken, and once approved by the supervisor, is forwarded to Payroll. Payroll utilizes this form to calculate pay and leave for the current pay period. However, LSUHSC-S does concur that the Certification Form process occurred after payroll had run, leave was calculated, and the employee was paid. If the employee noted a discrepancy in the Leave Certification, a payroll correction was made retroactively.

Corrective Action Plan:
Implementation of the corrective action plan for this part of the finding is complete. The Peoplesoft Leave Request (SF-6 system) and electronic certification processes for all departments were implemented in July 2021 and September 2021 (FY2022).

Name of Contact(s) Responsible for Action Plan:
Ed Jones, Assistant Vice Chancellor of Administration and Organizational Integrity

Lisa Ebarb, Executive Director of Human Resources

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

Sincerely,



Cindy Rives
Vice Chancellor for Administration and Finance

CC: David Lewis, MD, MBA
Interim Chancellor



Health Sciences Center

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June 20, 2022

Michael J. "Mike" Waguespack, CPA
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RE: FYE2021

**LSU Health Sciences Center in Shreveport
Inadequate Control Over Accounts Receivable
State and Private Grants and Contracts**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office finding related to Inadequate Control Over Accounts Receivables. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the concerns identified by your staff and we concur.

LSUHSC-S offers the following response to the recommendation provided.

Finding:

LSUHSC-S does not have adequate controls over state and private grants and contracts to pursue collection of accounts receivable.

Recommendation:

Management should implement procedures to ensure multiple bills are submitted to debtors on past due accounts and, after such established collection efforts are exhausted, ensure delinquent accounts are submitted to the AG or ODR in accordance with contract terms and LSUHSC-S's policy.

Response and Corrective Action Plan:

LSUHSC-S has the duty is to ensure that all accounts receivable balances are reviewed to determine what is owed, final paid, and/or legally collectible. To manage this process more effectively the collections efforts/function has moved from the Grants Accounting Section to the Reimbursement Office.

The Reimbursement employees will enact multiple steps to ensure the agency's delinquent accounts receivable balances are processed according to the internal policy to include the following:

- (1) Send the initial invoice to the debtor electronically or by postal mail with a due date of net thirty days.
- (2) Send reminder notices electronically or via certified postal mail thirty and sixty days after the initial invoice, contact via phone, and send emails.
- (3) Send the account to the Louisiana Office of Debt Recovery at ninety days. Handle in-house the accounts that are an exception. Exceptions include Federal Programs, Ochsner LSU Physician Group, and Ochsner LSU Health.

The team maintains a collection and payment report in conjunction with the Grants Accounting Module AR aging report to document the progressive efforts and adjust as necessary. In order to identify challenges and propose solutions General Accounting, Grants Accounting, and Business and Reimbursement teams have established a monthly meeting.

We formed a work group this past year to determine the best method to replace the current manual processes. Going forward the goal is to utilize Peoplesoft to upgrade the overall procedures for billing and collections.

Name of Contact(s) Responsible for Action Plan:

Sheila Faour, Chief Financial Officer

Anticipated Completion Date:

December 31, 2022: *Referral of Delinquent Accounts to ODR (after agency efforts are exhausted)*

Beginning Fiscal Year 2023: *Module Updates*

If you have any questions or need any 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



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June 17, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FYE2021

**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 issues identified by your staff and we concur with the finding of non-compliance and weakness in controls over federal research and development expenses. We offer the following responses to the recommendations provided.

Recommendation:

Management should monitor Time and Effort Certifications completed by the departments and investigate and obtain justification from department personnel for untimely certifications as well as untimely adjustments and lack of supporting documentation for the adjustments to enforce policies established.

Response and Corrective Action Plan:

For the corrective action in response to this recommendation, training will recommence in first quarter of SFY 23 for all grant Principal Investigators (PIs), Business Managers, and Department Chairs. It will be a joint training hosted by the Office of Sponsored Programs and Technology Transfer (OSPTT), the Office of Grants Accounting, and Administration and Finance in order to educate on Federal requirements and LSUHSC-S internal controls and processes to ensure compliance. It will provide, in detail, the responsibilities and accountability of the PIs, the Business Managers, and Department Chairs. This corrective action plan will be ongoing as the training will be scheduled regularly and required for all new PIs, Business Managers, and Department Chairs at onboarding and repeated at least annually for all PIs and Business Managers. The new mandatory training will emphasize accountability and the importance of completing time and effort

certifications accurately and timely per policy. Business Managers will be responsible for ensuring timely submission by the employee and/or PI at the end of the time and effort certification reporting period. The deadlines will be adjusted in policy to accommodate monthly close out and departmental processing time, and procedures updated to require justification from department personnel when the certification is not completed timely. The policy will be updated by July 31, 2022.

LSUHSC-S is also taking corrective action to address the lack of documentation for expense adjustments by modifying the form used to justify and obtain approval for changes in source of funding on personnel expenses (the “PER” form). Changes will include documentation of adjusted effort and questions to address justification why the adjustment is necessary, errors, and timeliness. This consolidated form is intended to replace the need for the Cost Transfer Form on requests to adjust personnel expenses due to changes in source of funding. The PER form modifications will be implemented by June 30, 2022, and strictly enforced to ensure proper justifications and explanations are provided.

Name of Contact(s) Responsible for Action Plan:

PER form updates: *Jen Katzman, Assistant Vice Chancellor for Administration and Finance*

Policy changes: *Sheila Faour, Chief Financial Officer*

Training: *Annella Nelson, Assistant Vice Chancellor for Research Development*

Anticipated Completion Date:

PER form updates: June 30, 2022

Policy updates: July 31, 2022

Initial training: September 30, 2022 (and ongoing)

Recommendation:

Management should also consider implementing other complementary controls such as preventing costs from being charged to projects in the accounting system beyond the approved budget or period of performance.

Response and Corrective Action Plan:

As part of the new mandatory training, PIs and Business Managers will be educated on monitoring expenditures. The corrective action addressing timeliness should mitigate the occurrence of expenses charged to grants beyond the period of performance. Currently, system controls prevent purchase order requisitions beyond budget tolerance, but there is no such systematic control for direct pay expenses such as travel or personnel. As such, as an additional control, LSUHSC-S is exploring settings in PeopleSoft that prevent expenditures on accounts over budget or beyond the performance period.

Name of Contact(s) Responsible for Action Plan: Sheila Faour, Chief Financial Officer

Anticipated Completion Date: June 30, 2023

Recommendation:

Furthermore, management should consider using the Cost Transfer Form, or revise the payroll form currently being used, to adequately document cost transfers.

Response and Corrective Action Plan:

LSUHSC-S is modifying the form used to justify and obtain approval for changes in source of funding on personnel expenses (the "PER" form). Changes will include documentation of adjusted effort and questions to address justification why the adjustment is necessary, errors, and timeliness. This consolidated form is intended to replace the need for the Cost Transfer Form on requests to adjust personnel expenses due to changes in source of funding. The Cost Transfer Form remains required on all non-personnel adjustments per current policy. The PER form modifications will be implemented by June 30, 2022, and strictly enforced to ensure proper justifications and explanations are provided.

Department business staff are being contacted to complete a consolidated PER3 Sponsored Program Expense & Time-Effort Certification Form on each FY 22 personnel adjustment when the request form was not included and/or explanation was not detailed for support before processing. Department business staff are also being contacted to complete any missing Cost Transfer Forms on non-personnel adjustments. All documentation must be submitted before June 30, 2022.

Name of Contact(s) Responsible for Action Plan:

PER form updates: *Jen Katzman, Assistant Vice Chancellor for Administration and Finance*

Supporting documentation: *Sheila Faour, Chief Financial Officer*

Anticipated Completion Date: June 30, 2022

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

DocuSigned by:
*Sincerely,
Cindy Rives*
19EC05F4133B4D9...

Cindy Rives, MPA
Vice Chancellor of Administration and Finance



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June 15, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FYE2021

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

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to special tests and provision requirements. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues identified by your staff and we concur with the finding of weakness in controls with special tests and provisions requirements. We offer the following responses to the recommendations provided.

Recommendation:

Management should complete the necessary training for time and effort certifications.

Response and Corrective Action Plan:

As noted in the finding, the LSUHSC-S training and compliance review did not continue as originally planned due to staffing issues. For the corrective action in response to this recommendation, training will recommence in first quarter of SFY 23 for all grant Principal Investigators (PIs), Business Managers, and Department Chairs. It will be a joint training hosted by the Office of Sponsored Programs and Technology Transfer (OSPTT), the Office of Grants Accounting, and Administration and Finance in order to educate on Federal requirements and LSUHSC-S internal controls and processes to ensure compliance. It will provide, in detail, the responsibilities and accountability of the PIs, the Business Managers, and Department Chairs. This corrective action plan will be ongoing as the training will be scheduled regularly and required for all new PIs, Business Managers, and Department Chairs at onboarding and repeated at least annually for all PIs and Business Managers.

Name of Contact(s) Responsible for Action Plan:

*Annella Nelson, Assistant Vice Chancellor for Research Development (lead)
Bill Haacker, Office of Grants Accounting & Jen Katzman, Assistant Vice
Chancellor for Administration and Finance (support)*

Anticipated Completion Date: September 30, 2022, for initial training, and ongoing

Recommendation:

Management should also utilize the time and effort certifications to 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 and Corrective Action Plan:

Procedural changes will be implemented by July 31, 2022, so the completion of time and effort certifications are completed accurately and timely. When the training and compliance review initially began, tracking documents were provided to the departments to use and update. With the staffing shortages, the tracking documents were not maintained. This tracking document will be updated again by Administration and Finance by August 1, 2022, then provided to the departmental Business Managers to maintain for monitoring changes in effort for personnel on grants. They will update the tracker any time the PI gets approval for changes in effort on the grant either via the institution's internal PER approval process, or when written approval is received from the federal grantor when it affects key personnel.

In addition, the new mandatory training will emphasize accountability and the importance of completing time and effort certifications accurately and timely per policy. Business Managers will be responsible for ensuring timely submission by the employee and/or PI at the end of the time and effort certification reporting period.

Lastly, LSUHSC-S is implementing a new grant management software, Cayuse, to centralize and automate tracking of time and effort to improve monitoring efforts. Anticipated implementation of this module is November 2022.

Regarding prior approval for changes, OSPTT is the institution office of record that seeks written approval from the federal grantor if the level of effort is reduced by 25% or more for the PI or any senior/key personnel named in the notice of award per federal requirements. OSPTT communicates with PIs regarding effort changes throughout the grant year and reviews again with the PI during annual progress reporting. As part of our corrective action, the procedure updates will include, and the new mandatory training will emphasize, that PIs must include the

Business Managers whenever initiating changes in effort with OSPTT, including those that require prior approval. Business Managers will be able to verify that prior approval was received, when applicable, before updating the tracker and initiating the internal effort changes via PER to match. PER updates are then input into PeopleSoft, which generates the time and effort certification forms for ongoing monitoring.

For the sample population, the annual progress report (RPPR) submitted to the federal grantor was correct and no prior approval of changes were necessary.

Name of Contact(s) Responsible for Action Plan:

Policy changes: *Sheila Faour, Chief Financial Officer*

Tracking update: *Jen Katzman, Assistant Vice Chancellor for Administration and Finance*

Training & Cayuse implementation: *Annella Nelson, Assistant Vice Chancellor for Research Development*

Anticipated Completion Dates:

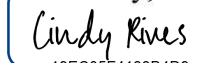
Policy changes: July 31, 2022

Tracking update: August 1, 2022

Training: September 30, 2022

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

Sincerely,



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Cindy Rives, MPA
Vice Chancellor for Administration and Finance



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June 8, 2022

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Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FYE2021

**LSU Health Sciences Center in Shreveport
Noncompliance with and Weakness in Controls over Subrecipient
Monitoring Requirements**

Dear Mr. Waguespack,

Thank you for the opportunity to respond to your office's finding related to subrecipient monitoring. LSU Health Sciences Center in Shreveport (LSUHSC-S) has reviewed the issues identified by your staff and we concur with the findings.

Recommendation:

Management should evaluate the effectiveness of established controls and implement revisions as needed to ensure LSUHSC-S evaluates each subrecipient's risk of noncompliance, verifies audit requirements are met and evaluates the impact of any deficiencies noted, and ensures that the entity with which it entered into a covered transaction is not debarred, suspended, or otherwise excluded.

Response with Corrective Action Plan:

The institution is committed to the following:

As the Pass-Through Entity (PTE) on federal awards, LSUHSC-S will strengthen internal controls and establish new subrecipient monitoring procedures in accordance with 2 CFR200.332(b). New processes will be implemented to gauge the eligibility, acceptability, and level of oversight required for the subrecipient organization. LSUHSC-S will evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards.

- (2) The results of previous audits including whether the subrecipient receives a Single Audit and the extent to which the same or similar subaward has been audited as a major program.
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of federal awarding agency monitoring (e.g., if the subrecipient also receives federal awards directly from a federal awarding agency).

At the proposal preparation stage by the PTE, potential subrecipients are required to complete the Subrecipient Commitment Form. This form captures pertinent information that is used for prequalification of the entity. A preliminary analysis is conducted to quickly identify the highest risk candidates, debarred or suspended status, lack of a Conflicts of Interest (COI) policy, and the existence or lack of an established accounting system. Subrecipients that do not receive an annual audit in accordance with 2 CFR 200 Subpart F will be required to complete a more in-depth Financial Status Questionnaire.

Upon Notification of Award by the federal agency, a pre-award subrecipient risk assessment will be completed and documented by the Office for Sponsored Programs and Technology Transfer (OSPTT). The pre-award risk assessment will determine if the potential subrecipient is eligible for the issuance of a subaward based on evidence of debarment, suspension, or otherwise excluded activity (2 CFR 200.212 and 200.318(h); 2 CFR 180.300; 48 CFR 52.209-6). Such evidence will be obtained by reviewing the subrecipient's entity registration in the System of Award Management (SAM) to determine that it is active and that there is no record excluding the subrecipient entity or subrecipient's Principal Investigator from receiving federal awards. If the subrecipient is deemed eligible and there are high risk factors identified, LSUHSC-S will impose additional requirements on the subrecipient to assure that as the pass-through entity, LSUHSC-S will meet its responsibility to the federal awarding agency. Additional requirements may include special terms and conditions in the subaward agreement or other forms of more robust monitoring procedures in accordance with the OMB Uniform Guidance. The LSUHSC-S Principal Investigator and Business Manager will be notified by OSPTT of the risk designation and the associated additional requirements that will be included in the subaward agreement. If it is determined that the risk factors are significant, a management decision will be made by the Assistant Vice Chancellor for Research Development, in conjunction with the Vice Chancellor for Research. In rare instances, LSUHSC-S may determine that the risk of entering into a subaward with the proposed entity will jeopardize our PTE responsibilities and not move forward with executing the agreement.

OSPTT and Grants Accounting will perform post-award analyses prior to the renewal or continuation of an existing subaward. These analyses will be used to complete the post-award risk assessment by OSPTT. The risk level will be assigned and communicated to the PTE Principal Investigator and Business Manager. The risk level will determine if additional reporting and/or financial requirements will be imposed on the subrecipient and reflected in the subaward agreement for renewal and/or continuation. If it is determined that the risk factors are significant, a management decision will be made by the Assistant Vice Chancellor for Research Development, in conjunction with the Vice Chancellor for Research, to determine if the federal assistance relationship will continue with the subrecipient.

The compliance monitoring will include the following processes:

- (1) enhanced process of reviewing the federal award general ledger activity,
- (2) continue documentation requests to subrecipients to include certification letter and domestic profile questionnaire,
- (3) analysis of documentation to determine identifiable weaknesses,
- (4) notification to OSPTT

In summary, below is a list of subaward processes and parties responsible:

Process	Responsible Party
Prequalifying/Pre-Award Risk Assessment	OSPTT
Proposal Development	OSPTT & PTE Principal Investigator
Award Execution	OSPTT
Review and approval of technical reports	PTE Principal Investigator
Post-Award Risk Assessment (continuations and renewals)	OSPTT
Compliance Monitoring (at grant application and annually)	Grants Accounting
Subaward Invoice Review and Approval	PTE Principal Investigator, Department Business Manager & OSPTT

Name of Contact(s) Responsible for Action Plan

Office of Sponsored Programs and Technology Transfer (OSPTT)
Office of Grants Accounting

Anticipated Completion Date: June 30, 2023

Recommendation:

In addition, management should ensure that subrecipient payments are processed timely and in accordance with federal regulations.

Response with Corrective Action Plan:

Currently, an invoice is received by the Business Manager in the Grantee PI department. The Business Manager generates the request for payment. The invoice review process should include approvals from the departmental PI and Business Manager, Office of Legal Affairs, and OSPTT. The document is then submitted to General Accounting for processing. LSUHSC-S will continue to work with the departments involved in this process to ensure timely submission of invoices with all approvals to accounting services for payment within 30 days of invoice receipt.

Anticipated Completion Date: June 30, 2023

Name of Contact (s) Responsible for Action Plan:

Office of Accounting Services
Department Business Managers

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

DocuSigned by:
Sincerely,
cindy rives
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Cindy Rives, MPA
Vice Chancellor of Administration and Finance

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, 2020, through June 30, 2021, 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, 2021.

- 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, 2021, as a part of the 2021 Single Audit.
- We performed 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, 2021, as a part of the 2021 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's management for significant variances.

In addition, we performed procedures on accounts receivable for state and private grants 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 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 Report, and accordingly, we do not express an opinion on that report. LSUHSC-S's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.