

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

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 13, 2017

**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 at the office of the parish clerk of court.

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.la.la.gov. When contacting the office, you may refer to Agency ID No. 3419 or Report ID No. 80170102 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



LSU Health Sciences Center in Shreveport

December 2017

Audit Control # 80170102

Introduction

As a part of our audit of the Louisiana State University System (System) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2017, we performed procedures at the Louisiana State University Health Sciences Center (Center) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of the Center's internal controls over financial reporting and compliance; and determine whether the Center complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

The Center is a part of the System and reported an enrollment of 874 students for the Fall 2016 semester. The primary mission of the Center is to teach, heal, and discover in order to advance the well-being of the community. The Center encompasses the schools of Medicine, Graduate Studies, and Allied Health Professions in Shreveport.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the Center's management letter dated December 21, 2016. We determined that management has resolved the prior-year finding related to Noncompliance with Debt Collection Requirements.

Financial Statements - Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2017, we considered the Center's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Receivables

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

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Nongovernment Grants and Contracts, Sales and Services of Educational Departments, and Hospital Income

Expenses - Educational and General, and Hospital

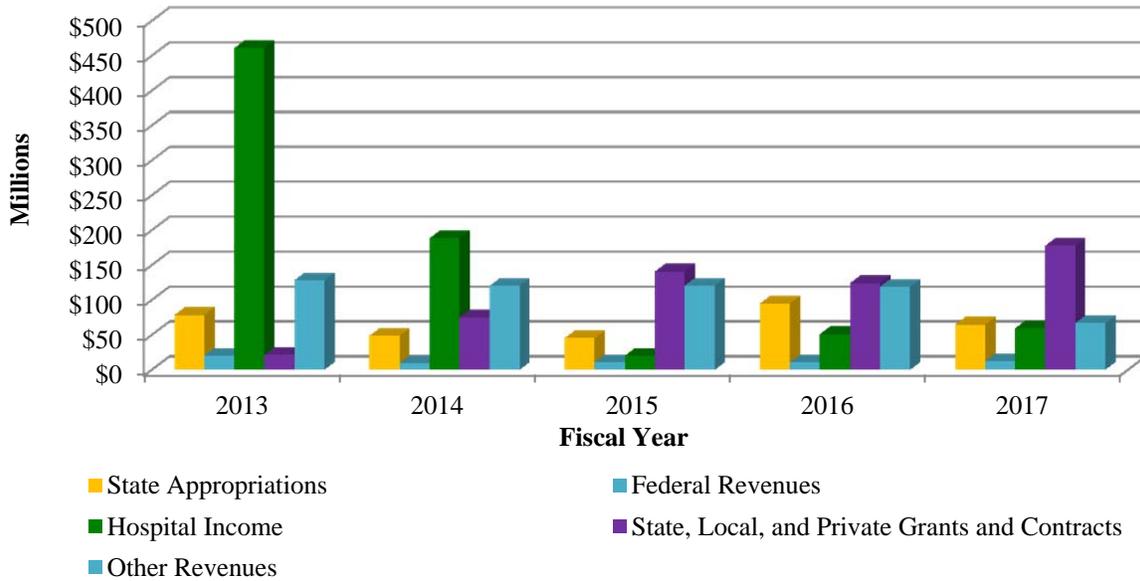
Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations. In addition, the account balances and classes of transactions tested are materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using the Center's financial statements and/or system-generated reports and obtained explanations from the Center 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.

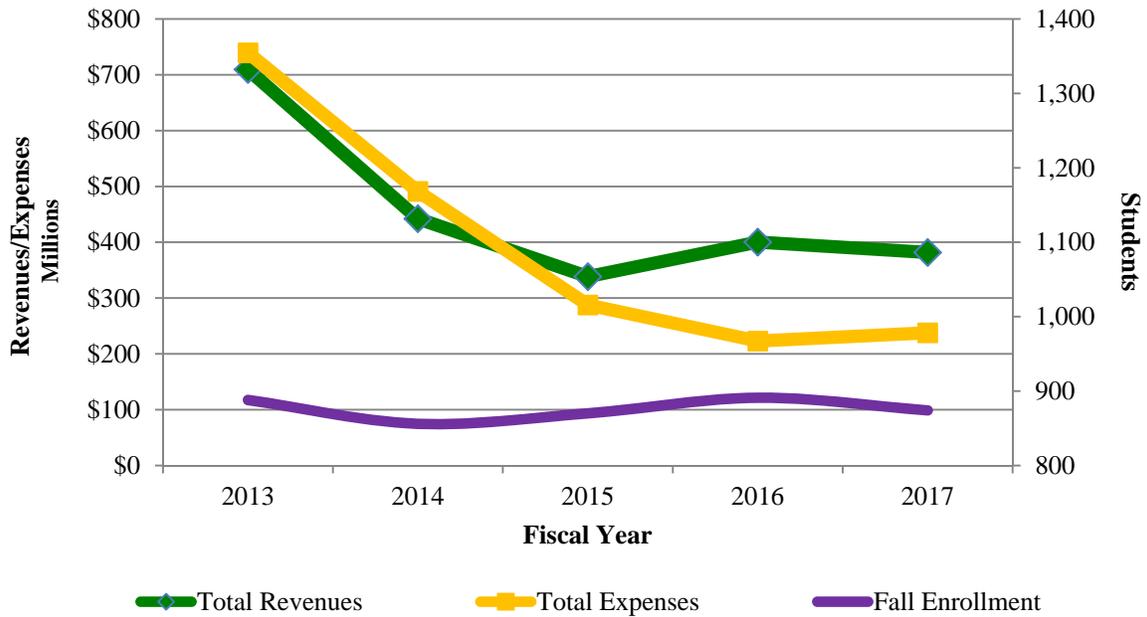
In analyzing financial trends of the Center over the past five fiscal years, revenues and expenses decreased drastically in fiscal year (FY) 2014 and FY 2015 due to the privatization of the Center's two largest hospitals as of October 2013, and its third as of July 1, 2014. The medical school continues to utilize tuition and fees, physician services, grants and contracts, and other revenue sources to finance its operations. Since the privatization, the primary source of revenue used to finance the Center's operations has shifted from hospital revenue to contracts revenue for physician services, which have more than tripled. The current hospital revenues mainly consist of state lease payments received from Biomedical Research Foundation/University Health, a private organization that manages two of the Center's former hospitals.

Exhibit 1 Five-Year Revenue Trend



Source: Fiscal years 2013-2017 Center’s Financial Statements, as adjusted

Exhibit 2 Fiscal/Enrollment Trends



Source: Fiscal years 2013-2017 Center’s Financial Statements, as adjusted, and Board of Regents website Data/Publication

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KWB:BAC:BH:EFS:aa

LSUHSCS 2017

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University Health Sciences Center in Shreveport (Center) for the period from July 1, 2016, through June 30, 2017, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements for the year ended June 30, 2017.

- We evaluated the Center'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 the Center.
- Based on the documentation of the Center'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 the Center's financial statements and/or system-generated reports to identify trends and obtained explanations from the Center's management for significant variances.

The purpose of this report is solely to describe the scope of our work at the Center and not to provide an opinion on the effectiveness of the Center'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 the Center's financial statements, and accordingly, we do not express an opinion on that report. The Center's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.