

LALLIE KEMP REGIONAL MEDICAL CENTER

LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued August 14, 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

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.la.la.gov. When contacting the office, you may refer to Agency ID No. 3443 or Report ID No. 80240033 for additional information.

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 \$0.18. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.

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 Jenifer Schaye, General Counsel, at 225-339-3800.

Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Lallie Kemp Regional Medical Center



August 2024

Audit Control # 80240033

Introduction

The primary purpose of our procedures at Lallie Kemp Regional Medical Center (LKRMC) was to evaluate certain controls LKRMC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

Results of Our Procedures

We evaluated LKRMC'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 LKRMC's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to accounts receivable, warehouse and pharmacy inventory, movable property, net patient services revenue, payroll and personnel expenses, and non-payroll expenses.

Accounts Receivable

LKRMC maintains accounts receivable that consist of amounts billed to patients for services and physician charges. We obtained an understanding of LKRMC's procedures for account collection and identification of bad debts. We reviewed selected delinquent accounts during the period July 1, 2022, through January 31, 2024, and examined supporting documentation, including payment notices and account details to ensure established collection and bad debt procedures were followed. Based on the results of our procedures, LKRMC had adequate controls to ensure requests for payment notices were sent to debtors timely, delinquent debt was appropriately transferred to the Office of Debt Recovery (ODR), and LKRMC complied with the terms of the agency's Participation Agreement with ODR.

Warehouse and Pharmacy Inventory

LKRMC's warehouse and pharmacy inventory totaled \$461,946 and \$329,503, respectively, at June 30, 2023.

LKRMC's warehouse stores medical supplies, equipment, and consumables. LKRMC operates an outpatient pharmacy, separate from the inpatient pharmacy, which serves to fill the prescription needs of LKRMC patients, including the inmate patients. Because LKRMC participates in a federal discount drug pricing program, patients can buy select medications for less than the normal cost. LKRMC conducts an annual physical inventory count of the warehouse as well as the inpatient and outpatient pharmacies at the end of the fiscal year. The warehouse uses a Perpetual Weighted-Average inventory cost valuation methodology. Valuation of the pharmacy inventory is based on the "First-In-First-Out" inventory cost methodology.

We obtained an understanding of LKRMC's controls over the warehouse and pharmacy operations, obtained the inventory listings as of June 30, 2023, and performed physical inventory counts on selected items. Based on the results of our procedures, LKRMC had adequate controls in place to ensure that inventory items were accurately accounted for and items were appropriately stored and safeguarded.

Movable Property

LKRMC reported approximately \$10.9 million of movable property to the Louisiana Property Assistance Agency in its April 2024 annual certification. We obtained an understanding of LKRMC's controls over movable property and performed procedures to ensure that controls over movable property were adequate, that assets were properly safeguarded and recorded, and that LKRMC complied with state property regulations. Based on the results of our procedures, LKRMC had adequate controls in place to ensure that assets were properly safeguarded and accurately recorded in the asset management system.

Net Patient Services Revenue

Net patient services revenue comprised 80% of operating revenues in fiscal year 2023. Any resident of Louisiana in need of medical services, including but not limited to the uninsured, is eligible for treatment at LKRMC. 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 for the size of the family unit. In addition, patients who are self-pay only are not billed for services or treatment received if their medical expenses exceed 20% of the gross income of the family unit for the 12 months preceding treatment. We obtained an understanding of LKRMC's policies and procedures over patient revenues. We reviewed selected charges and determinations during the period July 1, 2022, through January 31, 2024. Based on the results of our procedures:

- LKRMC had adequate controls to ensure free care and self-pay financial classes were determined appropriately and were adequately supported.

- LKRCM had adequate controls to ensure patient charges were applied appropriately and correctly calculated.

Payroll and Personnel Expenses

Salaries and related benefits comprise approximately 54% of LKRCM's operating expenses in fiscal year 2023 and 53% for the first nine months in fiscal year 2024. We obtained an understanding of LKRCM's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, LKRCM had adequate controls in place to ensure timely review and approval of employee time statements and employees were paid the amounts authorized.

Non-payroll Expenses

We obtained an understanding of controls over non-payroll (laboratory services, maintenance contracts, medical supplies, and medical and dental service contracts) expenses. We reviewed selected transactions during the period July 1, 2022, through January 31, 2024, and examined supporting documents, including purchase requisitions, purchase orders, invoices, and contracts to determine if controls were in place to ensure payments were reasonable and authorized. Based on the results of our procedures, LKRCM had adequate controls in place to ensure that non-payroll expenses were adequately supported, properly approved, and made for proper business purpose; and, where applicable, were made in accordance with applicable contractual agreements.

Trend Analysis

We compared the most current and prior-year financial activity using LKRCM's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LKRCM's management for any significant variances.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at Lallie Kemp Regional Medical Center (LKRMC) for the period from July 1, 2022, through June 30, 2024. Our objective was to evaluate certain controls LKRMC 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 LKRMC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LKRMC is a part of the Louisiana State University System, which is an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LKRMC'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 LKRMC.
- Based on the documentation of LKRMC's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to accounts receivable, warehouse and pharmacy inventory, movable property, net patient services revenue, payroll and personnel expenses, and non-payroll expenses.
- We compared the most current and prior-year financial activity using LKRMC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LKRMC'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 LKRMC, and not to provide an opinion on the effectiveness of LKRMC'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.