

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

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 21, 2016

**LOUISIANA LEGISLATIVE AUDITOR  
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POST OFFICE BOX 94397  
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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



LSU Health Sciences Center in Shreveport

December 2016

Audit Control # 80160084

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## Introduction

As a part of our audit of the Louisiana State University System's (System) financial statements for the year ended June 30, 2016, we performed procedures at Louisiana State University Health Sciences Center in Shreveport (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 determine whether the Center complied with applicable laws and regulations.

The Center is a part of the System and reported an enrollment of 891 students for the Fall 2015 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

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### Current-year Finding

#### Noncompliance with Debt Collection Requirements

During fiscal year 2016, the Center did not have an agreement with the Attorney General's office (AG) or the Louisiana Department of Revenue, Office of Debt Recovery (ODR) for the collection of delinquent debts, resulting in noncompliance with state law and potential lost collection of funds owed to the state.

Act 399 of the 2013 Regular Legislative Session established the ODR as a centralized debt collection unit authorized to collect delinquent debt owed to the State of Louisiana. This act required state agencies that did not have a collections contract with the AG as of January 1, 2014, or that discontinued their AG contract after that date, to refer all delinquent debts to ODR.

The Center used private collection agencies that specialized in collecting medical-related debt rather than submitting delinquent debts to the AG or ODR. As of June 30, 2016, the Center is named as a party in the agreement between Louisiana State University and the AG's Collections Section.

Management should ensure the Center is abiding by the contract between LSU and the AG to ensure the AG is being utilized for collection of the Center's delinquent debts. If management chooses not to submit delinquent debts to the AG, management should work with ODR to establish an agreement and work with LSU to amend the contract with the AG. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

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## **Financial Statements – Louisiana State University System**

As a part of our audit of the System's financial statements for the year ended June 30, 2016, we considered the Center's internal controls 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** - Nongovernmental grants and contracts revenue, hospital revenue, sales and services of educational departments' revenue

**Expenses** - Educational and general expenses, and hospital expenses

Based on the results of these procedures on the financial statements, we reported a finding regarding noncompliance with debt collection requirements, as described previously. In addition, the account balances and classes of transactions tested are materially correct.

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## **Other Procedures**

In addition to the financial statement work noted above, we performed certain procedures that included obtaining, documenting, and reviewing the Center's internal control and compliance with related laws and regulations over the Center's in-house procurement card program, the FuelTrac card program, contracts, cash, the corporate liability travel card program, and movable property.

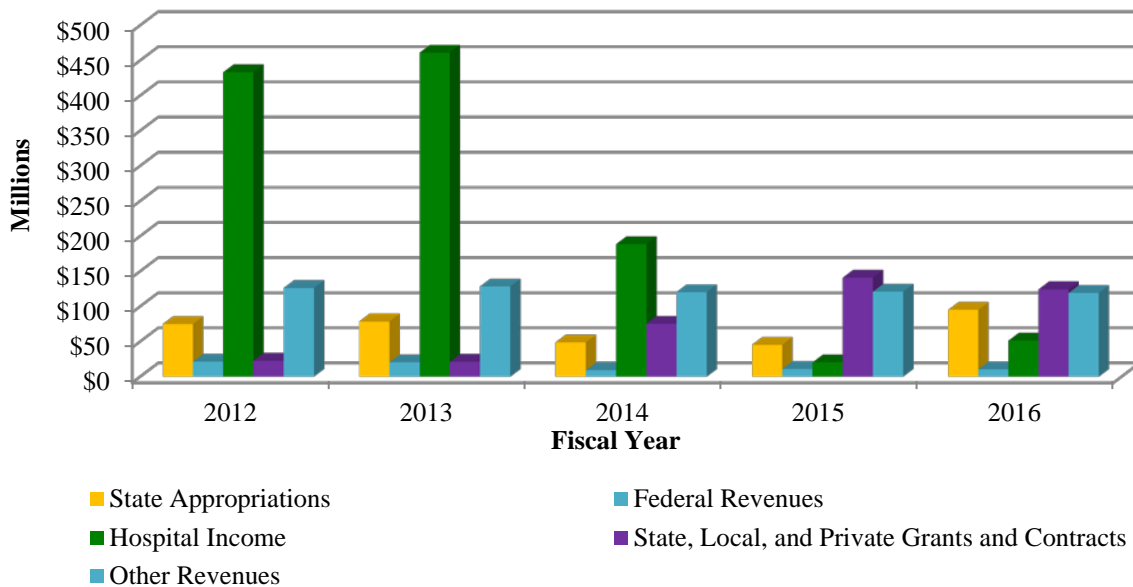
Based on the results of the procedures performed, we found no issues or weaknesses that were required to be reported.

## 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 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.

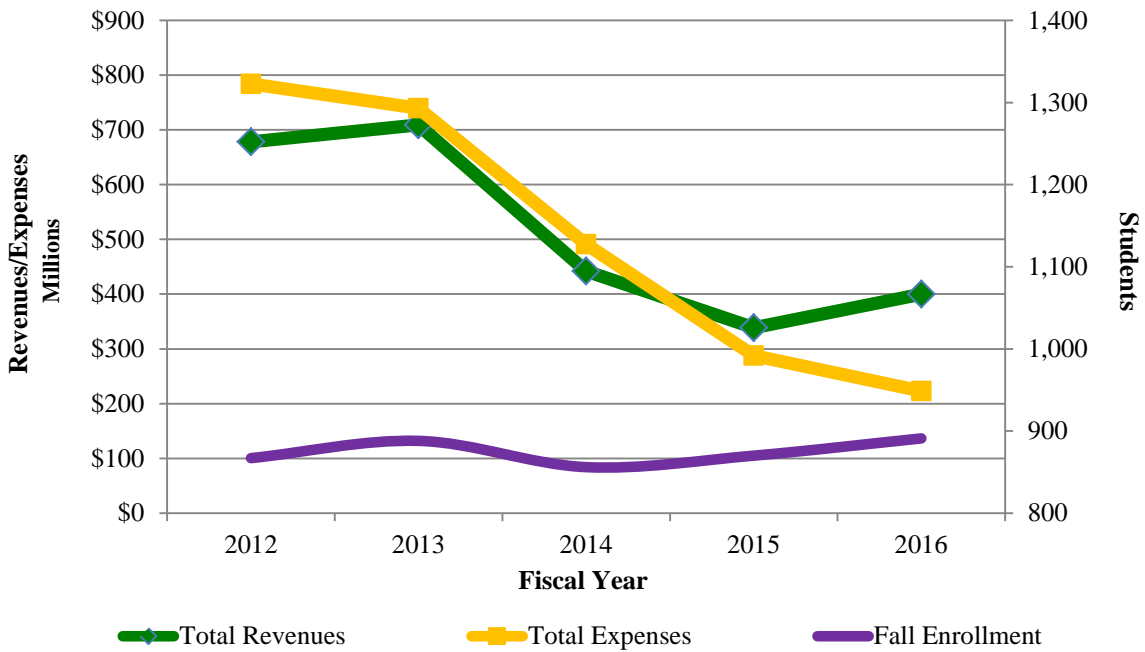
In analyzing the financial trends of the Center over the past five fiscal years, revenues and expenses decreased drastically in fiscal year (FY) 2014 and FY 2015 due to the privatization of the Center’s three hospitals. The two largest hospitals were privatized October 1, 2013, with the third hospital privatized 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. Hospital revenues mainly consist of lease payments received from Biomedical Research Foundation/University Health, a private organization that manages two of the Center’s former hospitals. In FY 2015, there were larger patient account adjustments against hospital revenues than in FY 2016, resulting in a slight increase in hospital revenue in FY 2016.

**Exhibit 1  
Five-Year Revenue Trend**



Source: Fiscal years 2012-2016 Center’s Financial Statements, as adjusted

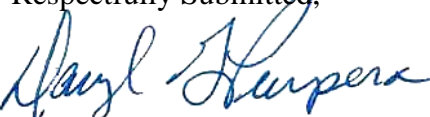
**Exhibit 2  
Fiscal/Enrollment Trend Analysis**



**Sources:** Fiscal years 2012-2016 Center’s financial statements, as adjusted, and Board of Regents website Data/Publication

The recommendation in this letter represents, in our judgment, that which would be likely to bring about beneficial improvements to the operations of the Center. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the Center 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

KWB:BAC:BH:EFS:aa

## **APPENDIX A: MANAGEMENT'S RESPONSE**





Health Sciences Center

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December 12, 2016

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

**Re: Noncompliance with Debt Collection Requirements**

Dear Mr. Purpera,

LSUHSC Shreveport concurs with the audit finding that there was not a separate agreement with the Attorney General's Office or the Department of Revenue Office of Debt Recovery during fiscal year 2016.

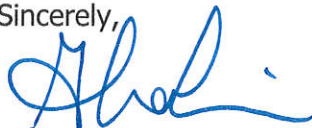
Both offices have been contacted regarding the patient/physician practice receivables covered by an existing agreement with an external collection agency. A process will be implemented to transfer debts or balances per the requirements of the Office of Debt Recovery.

Name of Contact Person Responsible for Corrective Action: Sheila Faour, CFO

Anticipated Completion Date: June 30, 2017

Please advise if additional information is required at this time.

Sincerely,



G. E. Ghali, DDS, MD, FACS, FRCS(Ed)  
Chancellor & Dean



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana State University Health Sciences Center in Shreveport (Center) for the period from July 1, 2015, through June 30, 2016, 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, 2016.

- 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 Center account balances and classes of transactions to support the 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 Center management for significant variances.

In addition, we performed procedures on selected controls and transactions relating to the Center's in-house procurement card program, the Fueltrac card program, contracts, cash, the corporate liability travel card program, and movable property. 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 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 those statements. The Center's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.