

LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER - NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED FEBRUARY 16, 2011

**LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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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 has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$14.35. 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 Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3418 or Report ID No. 80100082 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 Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

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Our procedures at the Louisiana State University Health Sciences Center - New Orleans (LSUHSC-NO) for the period July 1, 2009, through June 30, 2010, disclosed the following:

- LSUHSC-NO has not established adequate controls to ensure that movable property is receipted at the time it is entrusted to employees as required by state movable property regulations and that these employees are made aware of their personal liability for wrongful or grossly negligent acts or omissions that result in damage to or destruction of the property.
- The finding identified in our prior report on LSUHSC-NO, dated May 14, 2010, relating to noncompliance with state movable property regulations has been resolved by management.
- No other significant control deficiencies or errors relating to accounts receivable, capital assets, compensated absences payable, net assets, federal grant and contract revenues, state appropriations, and educational and general expenses were identified.
- No significant control deficiencies or noncompliance that would require reporting under Office of Management and Budget (OMB) Circular A-133 were identified for the following federal programs for the fiscal year ended June 30, 2010:
 - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA 84.394)
 - Trans-NIH Recovery Act Research Support (CFDA 93.701 - research and development grants)
 - Research and Development Cluster

This report is a public report. We appreciate LSUHSC-NO's assistance in the successful completion of our work.

Mission and Goals

LSUHSC-NO is one of 11 Louisiana universities managed under the Louisiana State University System. LSUHSC-NO is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award associate, baccalaureate, master's, and doctoral degrees. Its stated mission is to provide education, research, and public service through direct patient care and community outreach. LSUHSC-NO comprises the Schools of Allied Health Professions, Dentistry, Graduate Studies, Medicine, Nursing, and Public Health. To fulfill this mission, LSUHSC-NO has established goals as a part of its strategic plan to make progress toward the following:

- Improve access to quality health care for residents of the entire geographic area
- Recruit and educate future health care professionals who reflect and celebrate our diverse community
- Reduce the shortage of key health care professionals in Louisiana, especially in the rural areas
- Improve the health of Louisiana citizens through innovations in our health care services, disease management, and health promotion programs
- Diversify Louisiana's economy and increase the monies attracted into the state through its research enterprise
- Enhance its outreach capability by forging new alliances while strengthening relationships with existing partners in communities across Louisiana



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 27, 2011

**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER - NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA
New Orleans, Louisiana**

As required by Louisiana Revised Statute 24:513 and as part of our audit of the Louisiana State University System's (System) financial statements for the year ended June 30, 2010, we conducted certain procedures at Louisiana State University Health Sciences Center - New Orleans (LSUHSC-NO) for the period from July 1, 2009, through June 30, 2010.

- Our auditors obtained and documented an understanding of LSUHSC-NO's operations and system of internal controls through inquiry, observation, and review of its policies and procedures documentation including a review of the laws and regulations related to LSUHSC-NO.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using LSUHSC-NO's annual fiscal reports and/or system-generated reports and obtained explanations from LSUHSC-NO management for any significant variances.
- Our auditors reviewed the status of the finding identified in our prior report on LSUHSC-NO, dated May 14, 2010, relating to noncompliance with state movable property regulations. That finding has been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting LSUHSC-NO's account balances and classes of transactions material to the System's financial statements as follows: accounts receivable, capital assets, compensated absences payable, net assets, federal grant and contract revenues, state appropriations, and education and general expenses.
- We also tested LSUHSC-NO's compliance with laws and regulations that could have a direct and material effect on the System's financial statements.

- Our auditors performed internal control and compliance testing in accordance with Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2010, as a part of the Single Audit for the State of Louisiana:
 - State Fiscal Stabilization Fund - Education State Grants, Recovery Act (CFDA 84.394)
 - Trans-NIH Recovery Act Research Support (CFDA 93.701 - research and development grants)
 - Research and Development Cluster

These procedures were performed in accordance with *Government Auditing Standards* as part of our audit of the System's financial statements for the fiscal year ended June 30, 2010. The Annual Fiscal Report of LSUHSC-NO was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. LSUHSC-NO's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have reported a finding relating to weaknesses over movable property assigned for off-site use. We found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures including our procedures on federal programs that should be communicated to management.

The following significant finding is included in this report for management's consideration.

Weaknesses Over Movable Property Assigned for Off-site Use

LSUHSC-NO has not established adequate controls to ensure that movable property is receipted at the time it is entrusted to employees as required by state movable property regulations and that these employees are made aware of their personal liability for wrongful or grossly negligent acts or omissions that result in damage to or destruction of the property. LSUHSC-NO has 1,137 property items totaling \$2,392,043 assigned to employees for off-site use.

Louisiana Administrative Code (LAC) Title 34 Part VII Section 305(C) requires a state entity's property manager to secure a receipt from each employee who receives property when that property is entrusted to the employee. LAC 34 Part VII Section 305(E) states that employees to whom property is entrusted are liable for payment of damages whenever the employees' wrongful or grossly negligent acts or omissions cause any loss, theft, disappearance, damage to, or destruction of property for which they are responsible.

Our audit procedures performed on LSUHSC-NO's movable property assigned for off-site use disclosed that LSUHSC-NO:

- Did not have property sign-out forms on file with the property manager for the eight of 10 (80%) movable property items we tested which were assigned for off-site use.
- Had no documentation indicating employees had been informed of and accepted their responsibilities for safekeeping movable property items assigned to them for off-site use. LSUHSC-NO's property sign-out form does not address employees' responsibilities for wrongful or grossly negligent acts or omissions causing loss, theft, disappearance, damage to, or destruction of the movable property nor does the form address the requirements for returning movable property items when property is no longer needed or upon termination, whether voluntary or involuntary.
- Has not established controls to ensure that its property sign-out form is consistently used for all property assigned for off-site use.
- Has not ensured that completed property sign-out forms are provided to the property manager.

LSUHSC-NO has not established controls to ensure that its property sign-out form is consistently used for all property assigned for off-site use nor has it ensured that completed property sign-out forms are provided to the property manager. Failure to account for property to be used off-site subjects LSUHSC-NO to noncompliance with state movable property regulations and increases the risk of loss, whether from error or fraud.

Management of LSUHSC-NO should ensure that (1) the property sign-out form is used for all property assigned for off-site use; (2) employees are made aware of and agree to their responsibilities for safekeeping of property assigned to them; and (3) sign-out forms are submitted to the property manager to maintain accountability for property assigned for off-site use. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, one which will most likely bring about beneficial improvements to the operations of LSUHSC-NO. The nature of the recommendation, its implementation costs, and its potential impact on the operations of LSUHSC-NO should be considered in reaching decisions on courses of action. This finding relating to LSUHSC-NO's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of LSUHSC-NO and its management, others within LSUHSC-NO, the System, the Louisiana State University Board of Supervisors, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. 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, prominent initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DSG:CGEW:EFS:THC:dl

LSUHSC-NO 2010

Management's Corrective Action
Plan and Response to the
Finding and Recommendation



Administration and Finance
Office of the Vice Chancellor

School of Medicine
School of Dentistry
School of Nursing
School of Allied Health Professions
School of Graduate Studies
School of Public Health

December 13, 2010

Daryl G. Purpera, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Audit Finding: Weakness over Movable Property Assigned for Off-Site Use

Dear Mr. Purpera,

We are in receipt of your audit finding concerning weaknesses over movable property assigned for off-site use as a result of the legislative audit of LSU Health Science Center - New Orleans (LSUHSC – NO) for the fiscal year ended June 30, 2010. We are always working to improve our policies and procedures and we appreciate your comments and recommendations. We concur with this finding.

Corrective Action Plan

The University's corrective action plan is

- (1) Revise the General Compliance Training that all employees are required to take to address the liability associated with state property entrusted to employees under the State Administrative Code.
- (2) Revise the Custodian of State Property letters to include the liability language contained in the State Administrative Code. These letters will be sent out, signed and returned to Asset Management as part of the 2011 Inventory.
- (3) Develop an email to be sent to employees at the time property is assigned. This email will be returned by the employees and will acknowledge receipt of state property and acknowledge the liability associated with state property entrusted to employees.
- (4) Update the Asset Management policy and procedures for the processes to obtain a receipt at the time equipment is entrusted to employees.

Anticipated Completion Date:

The University anticipates the corrective action plan to be completed by the end of 2011 inventory which is currently scheduled to be completed on November 23, 2011.

Person responsible for corrective action:

Patrick Landry, Executive Director of Accounting Services

Phone: 504-568-4815

Email: pland2@lsuhsc.edu

Respectfully,


Ronnie Smith

Vice Chancellor for Administration and Finance

cc: Larry Hollier, MD

Terry Ullrich

Chad Brackin

01-2-10 10:21 AM