

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana State University
Health Sciences Center -
Health Care Services Division
State of Louisiana
Baton Rouge, Louisiana

December 10, 2003



Financial and Compliance Audit Division

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Albert J. Robinson, Jr., CPA

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**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

Management Letter
Dated November 24, 2003

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 office of the Legislative Auditor.

December 10, 2003



OFFICE OF
LEGISLATIVE AUDITOR
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November 24, 2003

**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As part of our audit of the Louisiana State University System's financial statements for the year ended June 30, 2003, we considered the Louisiana State University Health Sciences Center (LSUHSC) - Health Care Services Division's (HCS D) internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the System's financial statements; and we tested the division's compliance with laws and regulations that could have a direct and material effect on the System's financial statements as required by *Government Auditing Standards*.

The annual financial information of the LSUHSC, which includes the activity of HCS D, is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The division's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on HCS D for the two years ended June 30, 2001, we reported findings relating to noncompliance with general appropriation act, unsecured bank deposits, and the inventory system not fully functional. In our prior audit report on the Louisiana State University System for the year ended June 30, 2002, which included findings on HCS D, we reported findings relating to improper disproportionate share payments, inadequate support for restatement of capital assets, inadequate collection procedures for self-pay patients, internal control weaknesses in Cost Reimbursement Department, untimely and inaccurate reconciliation of cash, and inventory system not fully functional. The findings relating to noncompliance with general appropriation act, unsecured bank deposits, improper disproportionate share payments, internal control weaknesses in Cost Reimbursement Department, and untimely and inaccurate reconciliation of cash have been resolved by management. The findings relating to inventory system not fully functional, inadequate support for restatement of capital assets, and inadequate collection procedures for self-pay patients have not been resolved and are addressed again in this management letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2003.

LEGISLATIVE AUDITOR

LOUISIANA STATE UNIVERSITY HEALTH SCIENCES CENTER - HEALTH CARE SERVICES DIVISION STATE OF LOUISIANA

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Inventory System Not Fully Functional

For the third consecutive year, the inventory component of the PeopleSoft system implemented in fiscal year 2001 is not fully functional. A proper system of internal control over inventory should include procedures to ensure that assets are safeguarded and that inventory losses, should they occur, are detected in a short period of time by normal business procedures. A perpetual inventory system is generally regarded as an acceptable method of controlling inventory and safeguarding assets. Use of a perpetual inventory system allows an entity to record receipt of goods at the time of purchase and the issuance of goods as they are withdrawn for use. At any point in time, a count of goods on hand should agree to the balance in the inventory system. Discrepancies should be investigated to determine if losses are due to theft or fraud.

The perpetual inventory component of the PeopleSoft system installed by the HCSD has not functioned properly. As a result, the hospitals have had to rely on alternative methods of accounting for inventory. The problems with the PeopleSoft Inventory System were caused by multiple inventory numbers assigned to inventory items in the purchasing system related to a single inventory number in the central purchase contract, as well as incorrect units of measure or conversions for inventory items in the purchasing system. Failure to provide adequate controls over inventory increases the risk that losses of inventory will occur and remain undetected.

Considering the magnitude of assets at risk (\$18,856,527 at June 30, 2003), management should continue to review the problems with the new system and provide a functioning inventory system to the hospitals as soon as possible. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

Inadequate Support for Restatement of Capital Assets

For the second consecutive year, HCSD was unable to provide adequate documentation to support its restatement of capital assets, which affects beginning balances for fiscal year 2003 by approximately \$79 million (at cost). The restatement, involving the nine hospitals under HCSD as well as its administrative unit, was reported in HCSD's Annual Fiscal Report (AFR) for the fiscal year ended June 30, 2002, and was used to develop the beginning balances for fiscal year ended June 30, 2003. The restatement was the result of a change in accounting systems used for financial statement purposes from the Louisiana Property Assistance Agency (LPAA) and State Land and Buildings (SLABS) systems to the system maintained by American Appraisal Associates (AAA). The costs in the LPAA and SLABS systems were the amounts that had been audited in prior years. The costs in the AAA system were used for Medicare and Medicaid cost reporting purposes and were not audited in prior years.

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STATE OF LOUISIANA**

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Because HCSD could not support beginning capital asset cost, the accumulated depreciation as of June 30, 2001, of \$330,604,506 reported in its fiscal year 2002 AFR, as well as the depreciation reported by HCSD in its Medicare and Medicaid cost reports, may be overstated since both are based upon that cost.

HCSD's failure to perform a reconciliation between its two capital asset systems may have resulted in an overstatement of its capital assets, at cost, by approximately \$79 million in its 2003 AFR. In addition, it may have overstated accumulated depreciation, as well as the amount of depreciation claimed for financial statement and cost report purposes.

If HCSD intends to continue to use the AAA system to maintain its capital assets for financial statement and cost reporting purposes, management should perform an inventory of the items in the system at each of the facilities to verify that the items exist and are recorded at their proper value. Any items previously disposed of should be removed from the system. In addition, HCSD should review Medicare and Medicaid cost reports submitted in prior years to ensure that the correct amount of depreciation was claimed on these reports. Management concurred in part with the finding and recommendation (see Appendix A, pages 3-4).

Additional Comments: While HCSD concurred in part with the finding, its response indicated that, as a result of developments in the PeopleSoft financial system, there should be little, if any, variance for fiscal year ended 2003. The variance that HCSD refers to represents additions to capital assets in fiscal year 2003 and beyond. The variances noted from prior years, as indicated in the finding, remain unreconciled at June 30, 2003. In addition, while HCSD uses the AAA system for financial reporting purposes, it still uses the LPAA system for its physical inventory. The two systems have significant variances that have not been reconciled as of June 30, 2003.

Inadequate Collection Procedures for Self-Pay Patients

For the second consecutive year, HCSD does not have adequate collection procedures for amounts receivable from self-pay patients. Self-pay patients are those patients who are not eligible for free care but do not have any third-party coverage, such as Medicare, Medicaid, commercial insurance, or worker's compensation.

During fiscal year 2003, \$182,930,259 was billed to self-pay patients and \$3,345,176 was collected on the self-pay accounts. Subsequent to an adjustment of \$21,510,541 to the amount owed by the patient based upon the Limited Liability Schedule, which reflects federal income poverty guidelines, \$1,609,955 was considered to be a valid receivable at year-end. Therefore, HCSD had an uncollectible amount of \$158,006,782 for fiscal year 2003. As a result, only \$4,955,131 (or 3.1%) has been or is estimated to be collected on the \$182,930,259 billed less the limited liability reduction.

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The amounts by hospital are as follows:

	Patient Billing		Limited Liability Adjustment		Collections		Accounts Receivable		Estimated Uncollectibles	
	Dollar	%	Dollar	%	Dollar	%	Dollar	%	Dollar	%
E. A. Conway Medical Center	\$17,214,101	9.4%	\$1,415,761	6.6%	\$208,367	6.2%	\$91,999	5.7%	\$15,606,434	9.9%
Earl K. Long Medical Center	10,567,204	5.8%	2,446,246	11.4%	237,264	7.1%	100,815	6.3%	7,929,823	5.0%
Huey P. Long Medical Center	12,677,134	6.9%	1,272,140	5.9%	200,292	6.0%	82,370	5.1%	11,222,497	7.1%
University Medical Center	10,728,875	5.9%	1,853,780	8.6%	426,947	12.8%	230,948	14.3%	8,422,990	5.3%
W. O. Moss Medical Center	2,796,513	1.5%	1,343,685	6.2%	192,680	5.8%	81,996	5.1%	1,244,945	0.8%
Lallie Kemp Medical Center	6,382,777	3.5%	1,220,143	5.7%	204,152	6.1%	131,904	8.2%	4,987,813	3.2%
Washington-St. Tammany Medical Center	4,485,258	2.5%	65,999	0.3%	297,353	8.9%	137,206	8.5%	4,026,822	2.5%
Leonard J. Chabert Medical Center	12,126,660	6.6%	1,946,216	9.0%	404,586	12.1%	206,235	12.8%	9,790,246	6.2%
Medical Center of Louisiana at New Orleans	105,951,737	57.9%	9,946,571	46.3%	1,173,535	35.0%	546,482	34.0%	94,775,212	60.0%
Total	\$182,930,259	100%	\$21,510,541	100%	\$3,345,176	100%	\$1,609,955	100%	\$158,006,782	100%

The figures presented above do not include any amounts for patients who are eligible for free care since these patients are never billed. A review of self-pay billings and collections for the fiscal year ending June 30, 2002 and 2001, yielded similar results as only \$4,451,259 (or 2.9%) and \$5,247,168 (or 2.7%) were collected or expected to be collected on the \$166,614,173 and \$210,412,959 billed less the limited liability reduction, respectively. HCSD had an estimated accounts receivable of \$1,542,196 and \$2,181,856 related to self-pay patients at June 30, 2002, and June 30, 2001, respectively.

Louisiana Revised Statute 17:1519.1 (A) (1) states that the nine state hospitals under HCSD shall be operated primarily for the medical care of the uninsured and medically indigent residents of the state and others in need of medical care and as teaching institutions. The accounts of indigent patients are written off as uncollectible at the time the services are performed. However, the accounts of Medicare, Medicaid, commercial insurance, and self-pay patients are billed to the appropriate payor. Prudent business practices require the timely billing and collection of these amounts. However, management has not placed sufficient emphasis on the importance of timely collections on self-pay accounts. Instead, emphasis has been placed on collections from patients with third party coverage. Management's failure to implement adequate collection procedures on self-pay accounts results in a significant loss of revenue to the hospitals.

Management should implement collection procedures on self-pay accounts to seek payment in a more timely and effective manner. In addition, the hospitals should consider limiting the services provided to self-pay patients to those that are emergency in nature unless the patients are able to demonstrate their ability and willingness to pay. Management concurred in part with the finding and stated that the passage of Act 906 of 2003 will allow the hospitals the flexibility to operate more efficiently and make better business decisions, which include strengthening self-pay collection practices and the

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ability to deny nonemergency services. Management outlined a plan of corrective action (see Appendix A, pages 5-6; Exhibits A, B, and C are not included in this management letter).

**Failure to Submit a Document Retention
Schedule to State Archives**

HCSD failed to submit a document retention schedule to State Archives as required by state law. Louisiana Revised Statute 44:411(A)(1) requires the head of every agency to submit to the state archivist record retention schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been created or received by the agency.

HCSD has not submitted the required document retention schedule to State Archives. Failure to submit and receive an approved retention schedule increases the risk of the untimely destruction of vital information that could be needed in the future or the agency incurring excessive storage cost for documents that may not be needed.

Management should obtain the necessary information to prepare and submit a suitable retention schedule to State Archives as soon as possible. Once the retention schedule is approved, it should be implemented immediately. Management concurred in part with the finding and described the complexities of the records it manages, but did agree that it had not submitted a formal retention schedule to the Office of State Archives (see Appendix A, page 7).

Additional Comment: Management attached an eight-page legal opinion to its response that, while well prepared, was not submitted for approval to State Archives.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the division. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the division should be considered in reaching decisions on courses of action. Findings relating to the division's compliance with applicable laws and regulations should be addressed immediately by management.

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This letter is intended for the information and use of the division and its management 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 black ink, appearing to read "Grover C. Austin". The signature is written in a cursive style with a large, prominent initial "G".

Grover C. Austin, CPA
First Assistant Legislative Auditor

BH:JR:PEP:dl

[LSUHSC-HCSD03]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Health Sciences Center

HEALTH CARE SERVICES DIVISION

September 5, 2003

School of Medicine in New Orleans
School of Medicine in Shreveport
School of Dentistry
School of Nursing
School of Allied Health Professions
School of Graduate Studies
Health Care Services Division

Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding: Inventory System Not Fully Functional
Fiscal Year Ended June 30, 2003

Dear Mr. Austin:

In response to your request dated July 29, 2003, please find below the information regarding the referenced draft audit finding on the Louisiana State University Health Sciences Center – Health Care Services Division (HCSD):

The HCSD concurs with the legislative audit finding that the PeopleSoft Inventory System was not fully functional for the fiscal year ended June 30, 2003. However, HCSD has made significant progress toward full implementation of a consistent, standardized inventory system.

During the fiscal year ended June 30, 2003, HCSD established a team to review and clean up the PeopleSoft inventory item master. This review and clean up, of over 18,700 items, has been completed. End-user security was modified to limit users authorized to change critical attributes for inventory items in PeopleSoft; six end-user training sessions were conducted to appropriately train staff on such critical issues as the integration of the PeopleSoft inventory module with others modules, how to monitor daily transactions, and how to identify items with invalid attributes and convert them to the corresponding items with valid attributes. Additionally, HCSD staff identified the design flaw responsible for the inventory valuation problem. PeopleSoft has acknowledged this error and is working on resolution. End-users have discontinued using the panel with the design flaw.

All inventory transactions in PeopleSoft for the fiscal year beginning July 1, 2003 utilize inventory items with valid attributes only. Structural re-design efforts have also taken place to point the procurement of the perpetual inventory items to the appropriate general ledger balance sheet accounts within the Peoplesoft system, beginning with the fiscal year 2003-2004 procurement activity.

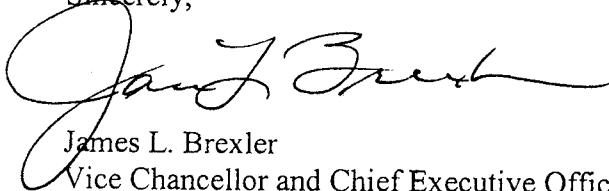
Additionally, due to the complexity of operating an integrated financial system, HCSD is in the process of evaluating the education, training and experience requirements to ensure the staff working in the inventory environment possess the necessary skills to fulfill the requirements of working in the PeopleSoft environment.

HCSD continues to work to resolve the inventory system issues within the budgetary constraints associated with the availability of limited staffing and the technical parameters of the PeopleSoft System.

PeopleSoft Inventory was re-implemented at the three largest HCSD hospitals July 1, 2003. HCSD staff is currently working with staff in those hospitals to monitor transactions and provide additional training to ensure that the inventory process is working correctly. The estimated completion date to have the PeopleSoft Inventory System fully functional in all aspects is December 31, 2003.

Should you have any questions or need additional information, please contact Mark Robichaux, Financial Reporting Manager at (225) 922-0772; Peter Omorotionmwana, PeopleSoft Purchasing Manager at (225) 922-3231; or Don Elbourne, Chief Financial Officer, at (225) 925-7060.

Sincerely,



James L. Brexler
Vice Chancellor and Chief Executive Officer

JLB/JMA/jma

cc: Don Elbourne
Art Landry
Judy Albin
Ken Laney



Health Sciences Center

HEALTH CARE SERVICES DIVISION

September 5, 2003

School of Medicine in New Orleans
School of Medicine in Shreveport
School of Dentistry
School of Nursing
School of Allied Health Professions
School of Graduate Studies
Health Care Services Division

Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding: Inadequate Support for Restatement of Capital Assets
Fiscal Year Ended June 30, 2003

Dear Mr. Austin:

In response to your request dated July 29, 2003, please find below the information regarding the referenced draft audit finding on the Louisiana State University Health Sciences Center – Health Care Services Division (HCSD):

HCSD concurs in part with the legislative audit finding regarding the restatement of capital assets for the fiscal year ended June 30, 2003.

In general, we do not agree that there is inadequate support for the restatement of the capital assets. HCSD has utilized American Appraisal and Associates (AAA), a professional third party entity who prepares depreciation calculations in accordance with industry guidelines and standards, for over thirty-two years, and there has never been a federal audit finding in the area of capital assets and depreciation on the Medicare and Medicaid cost report settlements. AAA provides hundreds of pages of detailed schedules on an annual basis with regard to HCSD'S capital assets.

We agree that AAA has a higher cost when compared to the Louisiana Property Assistance Agency (LPAA) and the Statewide Land and Building System (SLABS). However, LPAA and SLABS have different reporting requirements and purposes than AAA and the net capital assets as reported in the Annual Financial Report. AAA has been maintaining HCSD'S capital assets at historical cost for thirty-two years. HCSD is confident that the most accurate record of capital assets, cost and accumulated depreciation, is AAA.

HCSD has made significant progress toward reconciling AAA with LPAA/SLABS. Phase 1 of the reconciliation process between the three systems has been completed. Variances between the systems have been identified through the fiscal year ended June 30, 2002. Tools have been developed in the PeopleSoft financial system to better identify purchased assets; as a result, there should be little, if any, variances for the fiscal year ended 2003. Additionally, HCSD has

changed its depreciation policy from \$1,000 to \$5,000 to match the State of Louisiana depreciation policy and the maximum required by the Federal government. This will decrease the number of items required to report to AAA, and reduce the risk of error.


Factors causing variances between the systems include: (1) AAA contains many fully depreciated assets that are no longer on LPAA (while this does inflate the cost of the asset, it does not affect the depreciated value as reported on the Statement of Net Assets); (2) AAA includes Land, Buildings, Moveable and Fixed equipment, whereas SLABS includes Land and Buildings and LPAA includes only moveable equipment – fixed equipment is rarely reported in SLABS; (3) AAA has different descriptions of assets (usually in much more detail) than LPAA and SLABS; it is difficult to match up items between the systems. AAA is maintained in accordance with Medicare and Medicaid federal regulations and is based on historical cost. Land and buildings in SLABS are periodically assigned a replacement cost value. The three systems also have different criteria for reporting major fixed medical equipment, computer software, computer wiring, renovations to buildings, etc. that make it difficult to identify and compare the items in each system on an item by item basis.

Phase 2 will be to search for those items that are in one system but not the other and update the appropriate system. Phase 3 will be to transfer all capital assets to the PeopleSoft Asset Management System. This will be our system of record in the future and will be monitored and maintained for accuracy. We will also develop external databases to keep track of assets added and retired throughout the course of the fiscal year. Quarterly training sessions are being conducted to adequately train property control managers and keep them apprised of changes.

HCSO estimates that Phase 2 will be completed by the close out of the year ending June 30, 2004, and Phase 3 will be completed during the fiscal year ending June 30, 2005. Phase 3 is not necessary to reconcile AAA with LPAA/SLABS, but will fully integrate all aspects of the procurement of capital assets in the PeopleSoft system.

Should you have any questions or need additional information, please contact Chris Bilski, Asset Manager, at (337) 261-6326; or Don Elbourne, Chief Financial Officer, at (225) 925-7060.

Sincerely,



James L. Brexler
Vice Chancellor and Chief Executive Officer

JLB/JMA/jma

cc: Don Elbourne
Art Landry
Judy Albin
Ken Laney



Health Sciences Center
HEALTH CARE SERVICES DIVISION

School of Medicine in New Orleans
School of Medicine in Shreveport
School of Dentistry
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School of Allied Health Professions
School of Graduate Studies
Health Care Services Division

October 15, 2003

Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
1600 North 3rd Street
Baton Rouge, LA 70804

RE: Legislative Audit Finding - Inadequate Collection Procedures for Self Pay Patients

Dear Mr. Austin:

The Louisiana Health Sciences Center-Health Care Services Division (LSUHSC-HCSD) concurs in part with your recent audit finding involving self pay collection practices at the LSUHSC-HCSD hospitals. Since your previous audit comments, LSUHSC-HCSD submitted proposed legislation that would allow our hospitals the flexibility to operate more efficiently and make better sound business decisions which included strengthening self pay collection practices and the ability to deny non-emergency services.

The passage of Act 906 in the 2003 Legislative Session has given LSUHSC-HCSD the opportunity as well as the authority to adopt policy and implement more aggressive self pay collections procedures at the LSUHSC hospitals while maintaining our commitment to serve those persons in need of medical care and the uninsured. We are providing you the following summary of corrective actions that we have initiated to increase the self pay collections rate.

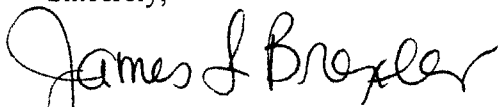
- Developed and adopted policies and procedures for the LSUHSC-HCSD hospitals to collect cash deposits at the point of registration and prior to treatment of non-emergency services being rendered. This policy establishes parameters on the amount of the required deposit which is based on the type of medical service being provided. The required deposits are: Clinic Visit \$15.00; Emergency Room \$25.00; Therapy visits \$15.00; Same Day Surgery \$100.00; Lab & X Ray, etc. \$10.00; Inpatient Admission \$100.00. (See Exhibit A)
- Initiated re-scheduling self pay patients seeking non emergency medical services when unable to pay the required deposit until such time as they can pay the requested amount. Exceptions are considered under unusual circumstances.
- Developed proper signage to increase public awareness. These signs have been posted in conspicuous places within the hospitals, informing self pay patients of their responsibility to pay for services provided. (See Exhibit B)
- In the process of developing and publishing informative pamphlet consisting of "Frequently Asked Questions" on financial responsibility requests, providing answers to common financial questions to further explain and emphasize to the public their responsibility to pay for services provided. (See exhibit C).

- In the process of publishing public service announcements. This includes publication in local newspaper and releasing radio announcements regarding new payment requirements. This action will further inform and educate the public of patient responsibility to pay for services provided at the Louisiana Public Hospitals
- Customizing and developing a legally binding Promissory Note for the patients to complete and sign. This document can be used as supporting documentation for possible legal action should the patient default the payment arrangement.
- Awarded two separate collections contracts with distinct specifications to expand the collection of delinquent accounts process until all efforts have been exhausted, and the account is considered uncollectible. Additionally, contractors will assist hospitals in establishing monthly payment arrangements and will be reporting unpaid accounts to a Credit Reporting Agency (Credit Bureau). This will provide additional incentives to the patient to pay the outstanding bill. The specifications and terms of these contracts will remain consistent for three consecutive years.
- Hospitals are analyzing their existing resources, staffing needs and departmental physical layout to identify and establish collection points while ensuring security and patient privacy.
- Where feasible, LSUHSC- HCSH hospitals are considering hiring dedicated financial counseling positions that will assist the patient with establishing reasonable monthly payment arrangements on outstanding account balances to ensure quick liquidation of amounts owed.

Improving self pay collections has been accelerated as a main initiative of the LSUHSC-HCSH. However, it will require continuous efforts in changing the public perception of the LSUHSC hospitals. We must continue to educate the patients of their responsibility to provide the required financial information consistently, upon registration, for accurate financial class assignment, while placing emphasis on payment requirements. A recent analysis of self pay collections activity over the last three years indicates a slight upward trend in self pay collection activity (FY 01 2.7%, FY 02 2.9% and FY 03 3.1%). We anticipate that this trend will gradually improve in subsequent years as the patient population becomes receptive to these new requirements and LSUHSC-HCSH continues with fully implementing the established procedures system wide. But given that the patient base of the hospitals consist largely of low income individuals (near or at the poverty levels), it is not realistic to expect a substantial increase in revenues from this source.

Thank you for your audit report and recommendations. Should you have any questions or need additional information, please contact Guy LaBauve Director of Patient Financial Services, at (225) 922-2223.

Sincerely,



James L. Brexler, MPA, FACHE
Vice Chancellor and Chief Executive Officer

GL/AC

cc: Don Elbourne
Art Landry
Guy LaBauve
Judy Albin
Ken Laney



Health Sciences Center
HEALTH CARE SERVICES DIVISION

School of Medicine in New Orleans
School of Medicine in Shreveport
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School of Graduate Studies
Health Care Services Division

October 21, 2003

Mr. Grover C. Austin, CPA
First Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

RE: Audit Finding for LSU HCSD
Failure to Submit a Document Retention Schedule to State Archives

Dear Mr. Austin:

In response to the above-mentioned audit finding, this is to report that we concur in part with your finding.

While the Health Care Services Division has not submitted a formal retention schedule to the Office of State Archives, the HCSD has been operating under the guidelines of LSU's retention schedules (<http://www.lib.lsu.edu/special/archives/deptschedules.html>) as well as a legal opinion issued by our staff attorney (see attached). In addition, a committee was established to evaluate the most feasible method of establishing a formal policy for our agency.

Due to the variety and complexity of the records we manage, such as Federal, Medicare, Medicaid, Medical Records, JCAHO records, etc., we wanted to ensure our policy met the regulations imposed on us by outside sources. As a result, it has taken longer than we anticipated to prepare the schedule.

Joy Barnett and Sue Tolbert will be leading the committee to finalize a policy specific to the Health Care Services Division and should have something finalized within the next six to twelve months.

Sincerely,

James L. Brexler, FACHE
Vice Chancellor and Chief Executive Officer
Health Care Services Division
LSU Health Sciences Center

c: Don Elbourne
Marty Mansfield
Art Landry
Judy Albin
Ken Laney
Sue Tolbert
Shelly Miller