

LOUISIANA STATE UNIVERSITY HEALTH SCIENCES
CENTER – NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 9, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana State University

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December 2019

Audit Control # 80190107

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, 2019, we performed procedures at the Louisiana State University Health Sciences Center – New Orleans (LSUHSC-NO) to provide assurances on financial information that is significant to the System’s financial statements; evaluate the effectiveness of LSUHSC-NO’s internal control over financial reporting and compliance; and determine whether LSUHSC-NO complied with applicable laws and regulations. In addition, we determined whether management has taken action to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the LSUHSC-NO management letter dated February 11, 2019. We determined that management has resolved the prior-year finding related to Inadequate Controls Resulting in Theft via Wire Transfers.

Financial Statements – Louisiana State University System

As a part of our audit of the System’s financial statements for the year ended June 30, 2019, we considered LSUHSC-NO’s internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Capital 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

Expenses - Educational and General

The account balances and classes of transactions tested are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LSUHSC-NO's major federal program, Research and Development Cluster.

Those tests included evaluating the effectiveness of LSUHSC-NO's internal control designed to prevent or detect material noncompliance with program requirements and tests to determine whether LSUHSC-NO complied with applicable program requirements.

In addition, we performed procedures on loan program information submitted by LSUHSC-NO to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA), as required by Uniform Guidance.

LSUHSC-NO's loan program information submitted for the preparation of the state's SEFA is materially correct.

Trend Analysis

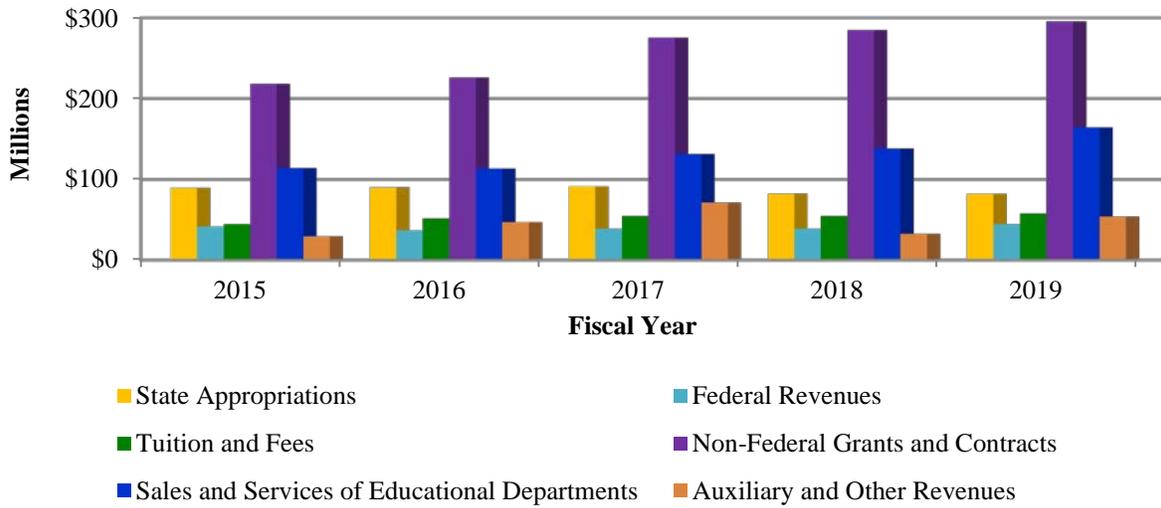
We compared the most current and prior-year financial activity using LSUHSC-NO's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LSUHSC-NO's management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the past five fiscal years, as shown in Exhibits 1 and 2.

In analyzing financial trends of LSUHSC-NO over the past five fiscal years, total revenues have increased 30%, and expenses have increased 24%.

Tuition and fees have increased by 29% even though enrollment has remained relatively consistent. This is mainly due to the increases in tuition permitted by the GRAD Act (Act 741 of the 2010 Regular Session), Act 377 of the 2015 Regular Session, and Act 293 of the 2017 Regular Session. Non-governmental grants and contracts have increased 39%, which is mainly due to renegotiations in clinical contract amounts with area hospitals to include fair market value for billings. Sales and services of educational departments have increased 44%, which is mainly due to Medicaid expansion that took effect July 1, 2016, and the Affordable Care Act.

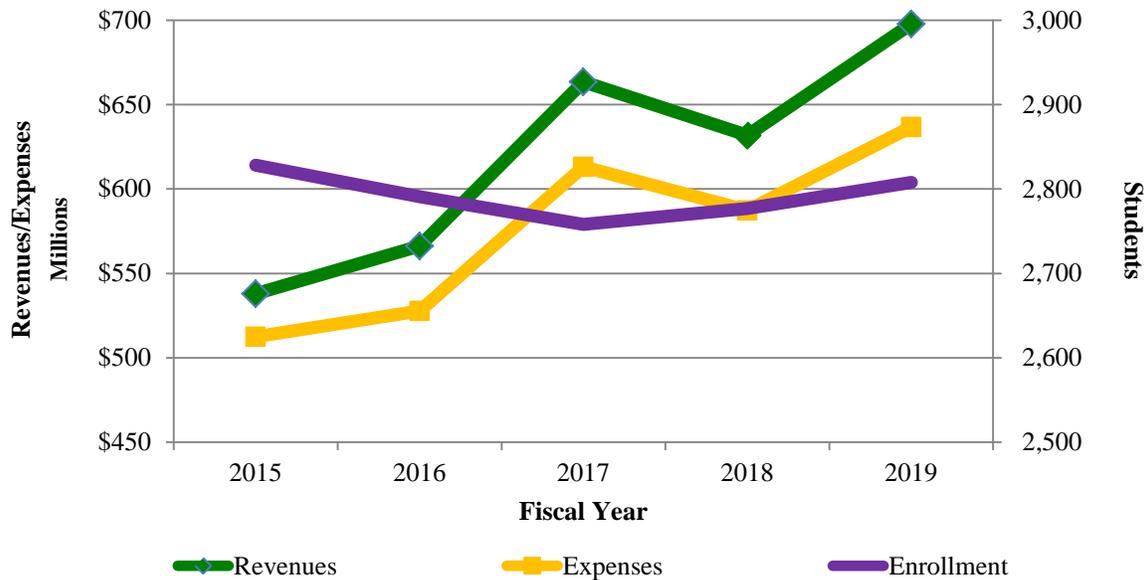
Expenses have increased mainly due to agreements with the Louisiana Department of Health to provide services to low-income, needy individuals within the state, and faculty costs related to the increased clinical contract amounts with area hospitals.

Exhibit 1
Five-Year Revenue Trends



Source: Fiscal Years 2015-2019 LSU System Audit Reports

Exhibit 2
Fiscal/Enrollment Trends



Source: Fiscal Years 2015-2019 LSU System Audit Reports and Louisiana Board of Regents website

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, flowing style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

MET:DM:BH:EFS:aa

LSUHSC-NO 2019

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University Health Sciences Center – New Orleans (LSUHSC-NO) for the period from July 1, 2018, through June 30, 2019, 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. Our procedures, summarized below, are a part of the audit of the System’s financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated LSUHSC-NO’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LSUHSC-NO.
- Based on the documentation of LSUHSC-NO’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 performed procedures on the Research and Development cluster of federal programs for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We performed procedures on loan program information for the preparation of the state’s Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using LSUHSC-NO’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LSUHSC-NO’s management for significant variances.

The purpose of this report is solely to describe the scope of our work at LSUHSC-NO and not to provide an opinion on the effectiveness of LSUHSC-NO’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 LSUHSC-NO’s Annual Fiscal Report, 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.