

LSU HEALTH SCIENCES CENTER – NEW ORLEANS

LOUISIANA STATE UNIVERSITY SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued April 3, 2023

**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
ERNEST F. SUMMERVILLE, JR., 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. 3418 or Report ID No. 80220050 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 \$0.30. 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

LSU Health Sciences Center – New Orleans



April 2023

Audit Control # 80220050

Introduction

As a part of our audit of the Louisiana State University System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2022, we performed procedures at the Louisiana State University Health Sciences Center – New Orleans (LSUHSC-NO), including the Health Care Services Division (HCSD), to provide assurances on financial information that is significant to the System’s financial statements; evaluate the effectiveness of internal control over financial reporting and compliance for LSUHSC-NO, including HCSD; and determine whether LSUHSC-NO, including HCSD, complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LSUHSC-NO management letter dated May 11, 2022. We determined that management has resolved the prior-year finding related to Weakness in Controls Over Subrecipient Monitoring of Research and Development (R&D) Projects. The prior-year finding related to Weakness in Controls over R&D Project Closeouts and Accounting Records has not been resolved and is addressed again in this letter.

Current-year Finding

Weakness in Controls over R&D Project Closeouts and Accounting Records

For the third consecutive year, LSUHSC-NO did not have adequate controls over project closeouts or accounting records for the R&D cluster federal program. Federal program closeout guidelines require recipients to liquidate all financial obligations and submit final reports, or invoices, no later than 120 calendar days after the project period of performance ends. LSUHSC-NO internal policy requires any remaining

surplus or deficit balances on a project to be certified and transferred to an appropriate, non-sponsored, departmentally-funded account or another sponsored project within 90 days of the project end date.

We tested a sample of 18 R&D projects, plus an additional five projects based on the total transaction amount recorded more than 90 days after the project end date, from a population of 139 projects with end dates between April 1, 2021, and June 30, 2022. Five (27.8%) of the sampled projects and all five of the additional projects included transactions for expenses or correcting entries posted to the project between 120 and 402 days after the project's period of performance ended. On three of the additional projects, management submitted revised final reports to the grantor, or revised final invoices to the pass-through entity, more than 120 days after the period of performance ended resulting in noncompliance with federal program close-out requirements.

These exceptions occurred because (1) expenses are charged to projects after their closeout period in anticipation of a forthcoming project renewal, extension, or funding increase that may or may not be received; (2) the accounting system, PeopleSoft Commitment Control, allows certain personnel and other expenses to continue to post to projects after the project has ended unless a form, such as a change in source of funds form, is processed to update account coding in the system; (3) projects are not being closed out properly as they end, which includes submitting all required forms for updating accounting records; and (4) project budgets were not adequately monitored to ensure that expenses in the accounting system were charged to the correct project and any errors or budget overruns were identified and addressed in a timely manner.

Untimely project updates in the accounting system increase the risk that expenses will be charged to the wrong project which hinders management's ability to effectively monitor the budget and may result in budget overruns that would need to be covered with other funding sources, increase the number of corrections required at year end to ensure accurate financial reporting, and may result in noncompliance with federal program requirements.

Management should continue to monitor budgets and ensure that budget overruns and errors are identified and corrected in a timely manner. Management should ensure that projects are effectively closed out including processing all required forms and updating the accounting system in a timely manner. Management should consider implementing a system control to prevent costs from being charged to projects in the accounting system beyond the project close out period. Management should also implement controls to exclude costs from its Schedule of Expenditures of Federal Awards until the awards or extensions are approved. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Financial Statements – Louisiana State University System

As a part of our audit of the System’s financial statements for the year ended June 30, 2022, we considered internal control over financial reporting for LSUHSC-NO, including HCSD, and examined evidence supporting certain account balances and classes of transactions, as follows:

LSUHSC-NO

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

HCSD

Statement of Net Position

Assets – Cash and Cash Equivalents, Leases Receivable, Capital Assets-Buildings

Deferred Inflows – Deferred Inflows Related to Leases

Net Position - Net Investment in Capital Assets, Restricted-Expendable, Restricted-Nonexpendable, and Unrestricted

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested, as adjusted, 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, 2022, 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) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported a finding related to Weakness in Controls over R&D Project Closeouts and Accounting Records. This finding will also be included in the Single Audit for the year ended June 30, 2022. In addition, LSUHSC-NO's loan program information submitted for the preparation of the state's SEFA and prior finding information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using LSUHSC-NO and HCSD Annual Fiscal Reports and/or system-generated reports and obtained explanations from management for any significant variances.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LSUHSC-NO. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LSUHSC-NO should be considered in reaching decisions on courses of action. The finding related to LSUHSC-NO's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MT:DM:BH:EFS:aa

LSUHSC-NO 2022

APPENDIX A: MANAGEMENT'S RESPONSE



March 24, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Office of Louisiana Legislative Auditor
1600 North Third Street, Baton Rouge, LA 70804

Dear Mr. Waguespack,

We appreciate the opportunity afforded to review and respond to the revised audit finding regarding the "Weakness in Controls over Research and Development Project Closeouts and Accounting Records".

Finding: Weakness in Controls over Research and Development Project Closeouts and Accounting Records

Management concurs with the finding listed in the report.

Response to Finding and Corrective Actions:

We agree with the finding that the audit identified ledger transactions incurred outside of 120 days from project end dates. Although LSUHSC-NO has made considerable progress in rectifying the weakness by implementing corrective plans identified in prior findings, significant turnover in departmental business managers and difficulty in recruiting personnel have impacted the complete resolution of the issue.

Despite the considerable progress made, your office identified three (3) projects as being non-compliant. Of these projects, the FFR/final invoice was submitted within federal guidelines of 120 days. Thereafter, a credit was applied resulting in a revised FFR/final invoice and refund to the sponsor.

It should be further noted that of the remaining seven (7) projects with control issues, none had questioned costs and are summarized below:

- Four (4) projects had no effect on the Federal Financial Report (FFR) submitted or drawdown of funds. The expenditures included on the FFR and the requested funds were reasonable, allocable, allowable, and within the project closeout timeline.

- One (1) project had transactions due to the month end indirect cost allocation process which was within the posting guidelines for the institution and within the period included in the 120 days.
- Two (2) projects were authorized for an extension as supported by the documents provided to the auditor.

LSUHSC-NO is committed to continued fiscal responsibility, partnership and training as evidenced by the following corrective actions:

- 1) Sponsored Projects Accounting (“SPA”) will initiate training for Departmental Business Managers and School Fiscal Deans to review single audit compliance requirements, project management, and SPA related reports and expectations.

Responsible Personnel for #1:	Sponsored Projects Accounting
Anticipated Completion Date:	June 30, 2023

- 2) Accounting Services will investigate the feasibility of implementing automated system controls in PeopleSoft to prevent costs from being charged to projects beyond close out periods or the feasibility of providing SPA with the authority to close out projects not addressed by the Schools in a timely manner.

Responsible Personnel for #2:	Executive Director of Accounting Services
Anticipated Completion Date:	December 31, 2023

- 3) In recognition of the significant turnover in Business Managers, LSUHSC-NO has increased the salaries of the departmental business managers to attract and retain effective team members. SPA has recently hired two new positions in response to the previous years’ finding. Additionally, LSUHSC-NO will commit to hiring a third new position in SPA.

The Director for Financial Reporting, Asset Management & Sponsored Projects Accounting position was recently created to provide a higher level oversight in the department. The director is reassessing the roles and responsibilities of the existing staff in the department and has identified opportunities for better utilization of the employees.

Responsible Personnel for #3:	Executive Director of Accounting Services
Anticipated Completion Date:	December 31, 2023

Furthermore, LSUHSC-NO will continue the following ongoing corrective actions previously implemented:

- 4) The Fiscal Dean of each School or his/her designee will continue to review and monitor departmental compliance with Chancellor Memorandum (“CM-21”), which includes the responsibilities of the required financial management of an individual project or group of projects.
- 5) The Fiscal Dean of each School or his/her designee will ensure their Business Managers are properly trained on the following: monitoring budgets and timely corrections of overruns, project closeout procedures, and account reconciliation in compliance with CM-21.

Responsible Personnel for #4 and #5: School Fiscal Deans
 Anticipated Completion Date for #4 and #5: June 30, 2021

- 6) SPA will continue to provide PeopleSoft Financials error reports to applicable Business Managers and Fiscal Deans for immediate action with errors such as: projects with an end date that has passed, projects in deficit, or projects not setup to accept personnel expenses.

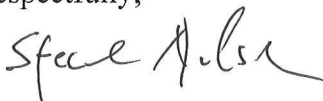
Responsible Personnel for #6: Departmental Business Managers
 School Fiscal Deans
 Sponsored Projects Accounting
 Anticipated Completion Date for #6: February 2022

- 7) SPA will continue to escalate and follow-up on requests to correct projects with expenditures posting beyond 90 days that are not addressed in a timely manner to the Principal Investigator, Department Head, Dean, and Chancellor as necessary.

Responsible Personnel for #7: Sponsored Projects Accounting
 Anticipated Completion Date for #7: January 5, 2023

If you have any additional questions or concerns, please do not hesitate contacting me.

Respectfully,



Steve Nelson, M.D.
 Interim Chancellor

cc:

Dr. Richard DiCarlo
 Ms. Katherine Diodene
 Mr. Ben Lousteau
 Ms. Wendy Simoneaux

Ms. Stephanie Laurent
 Ms. Lynne Tardiff
 Mr. Frank Wasser
 Ms. Lori Ferro

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State University Health Sciences Center – New Orleans (LSUHSC-NO), including the Health Care Services Division (HCSD), for the period from July 1, 2021, through June 30, 2022, 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 our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2022.

- We evaluated LSUHSC-NO, including HCSD, 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 LSUHSC-NO, including HCSD, 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 federal program at LSUHSC-NO for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We performed procedures on LSUHSC-NO loan program information for the preparation of the state’s Schedule of Expenditures of Federal Awards and on the status of LSUHSC-NO prior-year findings for the preparation of the state’s Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We compared the most current and prior-year financial activity using LSUHSC-NO and HCSD Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from management for significant variances.

The purpose of this report is solely to describe the scope of our work at LSUHSC-NO, including HCSD, and not to provide an opinion on the effectiveness of 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 or HCSD Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LSUHSC-NO and HCSD accounts are an integral part of the System’s financial statements, upon which the Louisiana Legislative Auditor expresses opinions.