



# STATE OF LOUISIANA LEGISLATIVE AUDITOR

University Medical Center  
Louisiana Health Care Authority  
State of Louisiana  
Lafayette, Louisiana

July 31, 1998



*Financial and Compliance Audit Division*

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*Daniel G. Kyle, Ph.D., CPA, CFE*  
*Legislative Auditor*

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UNIVERSITY MEDICAL CENTER  
LOUISIANA HEALTH CARE AUTHORITY  
STATE OF LOUISIANA  
Lafayette, Louisiana

Management Letter  
Dated June 21, 1998

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 and at the office of the parish clerk of court.

July 21, 1998



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BALCON SQUARE, LOUISIANA 70801-0001

EMIL CLAYTON BUILDING  
LEGISLATIVE AUDITOR

BAHNSON 11 000700001  
BOSCH DRIVE BOSSCHARD  
TELEPHONE: (504) 241-0000  
FACSIMILE: (504) 241-0000

June 25, 1996

**UNIVERSITY MEDICAL CENTER  
LOUISIANA HEALTH CARE AUTHORITY  
STATE OF LOUISIANA  
Lafayette, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1996, we conducted certain procedures at the University Medical Center. Our procedures included (1) a review of the medical center's internal control structure; (2) tests of financial transactions for the years ending June 30, 1994, and June 30, 1995; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1995, and June 30, 1996; and (4) a review of compliance with prior year report recommendations.

The 1995 Annual Fiscal Report of the University Medical Center was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on that report upon its issuance, or on the previously issued 1995 Annual Fiscal Report. The medical center's accounts, under the Louisiana Health Care Authority, are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected medical center personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvement. We first discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the medical center's personnel and payroll cycle for the year ended June 30, 1995, we reported a finding relating to personnel and payroll controls. This finding has not been entirely resolved by the medical center and the portion that has not been resolved is addressed again in this report.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Personnel and Payroll Controls**

For the second consecutive year, we noted that the payroll section performs all payroll changes, such as additions and deletions, to the Uniform Payroll System (UPS) without

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LOUISIANA HEALTH CARE AUTHORITY  
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subsequent review by an employee in Human Resources Management (HRM). A good internal control structure requires that adequate control procedures be in place to reduce the risk that payroll related errors and/or irregularities could occur and not be detected in a timely manner. Without this review, errors and/or irregularities could occur and not be detected in a timely manner. Management attempted to correct this finding, but the new procedures implemented proved unwarrantable.

The medical center should continue to develop and implement internal control procedures that would ensure a proper review of all payroll transactions. In a letter dated June 7, 1998, Mr. Lawrence Dorsey, Hospital Administrator, concurred with the finding and recommendation and outlined the plan of corrective action to be implemented by the medical center.

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the medical center. The nature of the recommendation, its implementation cost, and its potential impact on operations of the medical center should be considered in reaching decisions on courses of action.

By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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Louisiana Health Care Authority  
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Lafayette, Louisiana

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LEGISLATIVE AUDITOR

BAHNSON 11 000700001  
BUSH CENTER B00040007  
TELEPHONE: (504) 343-3000  
FACSIMILE: (504) 343-3000

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