over its state property as required by state movable property laws. Louisiana Revised Statute (LSA-R.S.) 24:515(B) requires all state agencies to maintain records for all property for which it is accountable, including the date of purchase and acquisition cost of the assets. In addition, LSA-R.S. 39:321-330 set forth the regulations for all state agencies to follow regarding tagging, reporting, and inventorying of state property.

The State of Louisiana acquired University Hospital (formerly Hotel Dieu Hospital) in December 1992. A complete physical inventory of equipment was not taken at the time the hospital was acquired nor was a physical inventory taken through June 30, 1995. During the year ended June 30, 1996, the medical center implemented a system to (1) timely mark and identify all prior years' movable property acquisitions as state property, (2) timely update property records for additions and deletions, (3) conduct a comprehensive physical inventory of its state property, and (4) report to the Commissioner of Administration. However, as of June 30, 1996, only 2,487 items, totaling $13,445,830, or 51 percent of the 4,835 items, totaling $27,367,457 on hand at June 30, 1995, had been tagged and reported to the Louisiana Property Assistance Agency. Failure to maintain appropriate accountability and control over its state property increases the risk that errors or irregularities could occur and not be detected in a timely manner.

The Medical Center of Louisiana at New Orleans should continue and expedite its efforts to establish accountability of movable property as prescribed by Louisiana law. In a letter dated September 10, 1996, Dr. Jonathan Roberts, Chief Executive Officer, stated that the hospital implemented a hospital-wide action plan on March 5, 1996, to improve the administration and management of property accounting and that the project should be completed by March 31, 1997.

**Patient Charges**

For the ninth consecutive year, the Medical Center of Louisiana at New Orleans has not completed the development and implementation of effective procedures to provide management with assurance that all charges incurred by patients are accurate and billed timely. Complete and accurate information on patient charges is needed to ensure that the medical center is maximizing revenue.

In our test of inpatient account charges for 26 patient accounts, the following deficiencies were noted:

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

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

JES:JR:dl

[CHNO]

1. Eleven (42 percent) of the patients' bills were not produced timely. Final bills for the 11 patients were prepared in excess of 30 days following discharge.

2. At our request, the 26 bills were audited by the hospital's Coding and Revenue Enhancement Department. The audits by the Coding Department of the 26 bills, totaling $204,985, revealed inaccuracies in 25 of the bills (96 percent). It was determined that the 25 bills contained undocumented charges (overcharges) totaling $13,190 (6 percent). Also, there were undercharges or unbilled charges on 23 of the bills totaling $17,779 (9 percent).

As a result, management has no assurance that all services performed are billed to patients or that amounts billed to patients accurately reflect charges for services actually received.

Management of the Medical Center of Louisiana at New Orleans should ensure that all charges are documented in the patients' medical records and are processed into the billing system. In addition, the medical center should continue to establish written procedures for patient account information to provide assurance that charges incurred by patients are accurate and billed timely. In a letter dated October 8, 1996, Dr. Jonathan Roberts, Chief Executive Officer, stated that the establishment of an automated order entry system is approximately 90 percent complete, which should help in capturing accurate charges. Management does not feel that a hospital of the size and complexity of Medical Center of Louisiana can consistently produce flawless bills; however, actions are being taken to minimize errors in charges and to produce timely patient billings.

**Untimely Remittance of Unexpended Appropriation**

The West Campus (University Hospital) of Medical Center of Louisiana did not return timely to the state treasury, unexpended appropriations of $3,655,152 from fiscal year 1995. In addition, these funds were held in a noninterest-bearing checking account resulting in a loss of interest earnings. Louisiana Revised Statute (LSA-R.S.) 39:82(A) requires that all cash balances for which no bona fide liability exists on June 30 be remitted to the state treasurer by July 15.

During August 1995, excess amounts were drawn from the state treasury and placed in the hospital's operating account to pay liabilities of the year ended June 30, 1995. The excess amounts were not returned to the state treasury until April 19, 1996, when checks totaling $3,655,152 were remitted to the state treasury. The custodian of these funds, a former employee of Hotel Dieu Hospital, was not aware of the legal requirements pertaining to the return of unexpended appropriations. Failure to return appropriations timely resulted in funds not being available to the state government for investment or other uses during the period the funds were held by the hospital.

The Medical Center of Louisiana at New Orleans should ensure that any unexpended appropriations are returned to the state treasury in a timely manner. In a letter dated September 9, 1996, Dr. Jonathan Roberts, Chief Executive Officer, concurred with the finding and recommendation and stated that since medical center cash management procedures are now directed through the Governmental Financial System, this type of incident will never occur again.

**Failure to Monitor Trust Fund Cash Balances**

The Medical Center of Louisiana at New Orleans has not properly monitored Trust Fund cash balances to ensure that an adequate return on investment is received. During the year, the medical center maintained a money market checking account, which had an average daily balance of $712,262. The account earned $5,141 of interest during the year, or an average annual percentage rate of only .72 percent. The medical center's internal policies, as well as good cash management practices, require that cash balances in checking accounts be closely monitored so that balances not needed for expenditures can be placed in other higher interest-bearing accounts.

As a result of the failure of the medical center to properly monitor the cash balances in its money market checking account, excess funds were not properly invested and potential additional interest income was lost. We estimate that $35,613 of interest would have been earned if these funds would have been invested at 5 percent for the year, as opposed to the $5,141 of interest that was earned in the money market checking account.

The Medical Center of Louisiana at New Orleans should ensure that cash balances in the money market checking account are properly monitored so that balances not needed for expenditures are placed in other investments that earn higher interest rates. In a letter dated October 2, 1996, Dr. Jonathan Roberts, Chief Executive Officer, concurred with the finding and recommendation and stated that on October 1, 1996, the medical center invested $500,000 at an interest rate of 5.61 percent.

# MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
# LOUISIANA HEALTH CARE AUTHORITY
# STATE OF LOUISIANA

New Orleans, Louisiana

Management Letter
Dated November 14, 1996

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.

December 11, 1996

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# STATE OF LOUISIANA
# LEGISLATIVE AUDITOR

**Medical Center of Louisiana at New Orleans**
**Louisiana Health Care Authority**
**State of Louisiana**
New Orleans, Louisiana

December 11, 1996

***Financial and Compliance Audit Division***

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

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November 14, 1996

**MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS**
**LOUISIANA HEALTH CARE AUTHORITY**
**STATE OF LOUISIANA**
New Orleans, 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 Medical Center of Louisiana at New Orleans. Our procedures included (1) a review of the medical center's internal control structure; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations.

The June 30, 1996, Annual Fiscal Report of the Medical Center of Louisiana at New Orleans was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on that report. The medical center's accounts 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 improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the Medical Center of Louisiana at New Orleans, we reported findings relating to patient charges, movable property regulations, pharmacy perpetual inventory, and warehouse physical inventory. The findings relating to pharmacy perpetual inventory and warehouse physical inventory have been resolved by management. The remaining findings have not been resolved and are 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.

**Movable Property Records**

For the third consecutive year, the West Campus (University Hospital) of Medical Center of Louisiana at New Orleans has not maintained appropriate accountability and control