



Report Highlights

Louisiana State University Health Sciences Center - New Orleans

Louisiana State University System

DARYL G. PURPERA,
CPA, CFE

Audit Control # 80120051
Financial Audit Services • January 2013

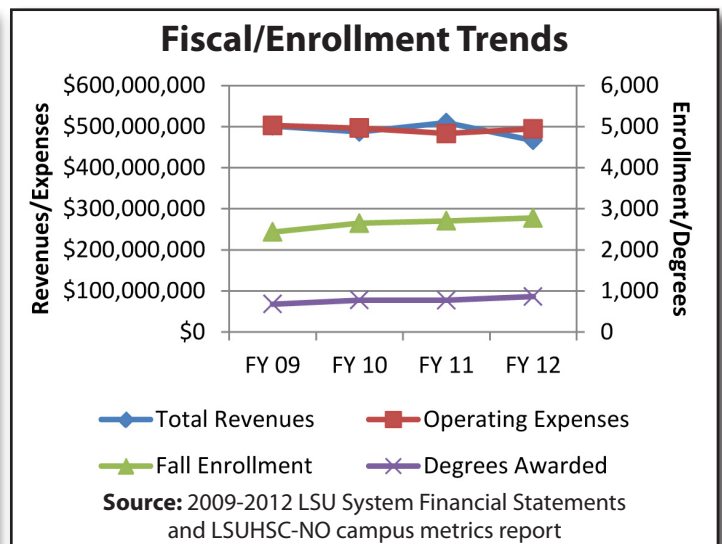
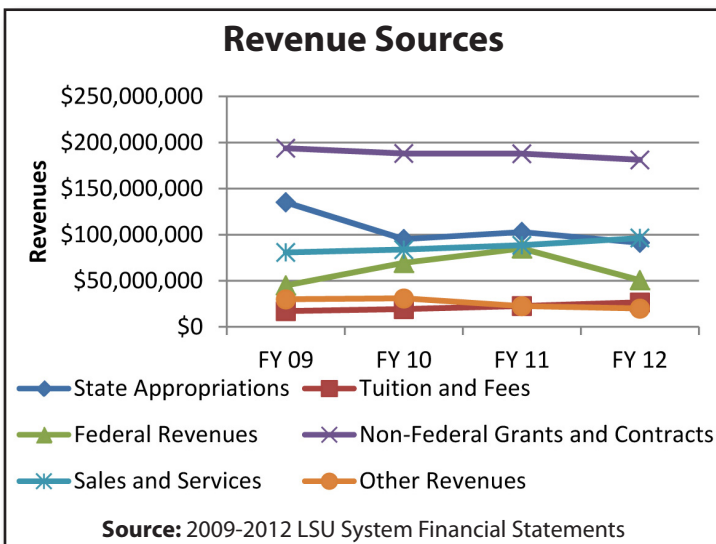
Why We Conducted This Audit

We conducted certain audit procedures at Louisiana State University Health Sciences Center – New Orleans (LSUHSC-NO) as part of the Louisiana State University System’s financial statement audit for the year ended June 30, 2012, and to evaluate accountability over public funds.

What We Found

We tested controls, compliance, and financial reporting for the following accounts in the LSUHSC-NO financial statements: capital assets, net assets, state and local grants and contracts revenues, revenues from sales and services of educational departments, and education and general expenses. Our procedures on those accounts disclosed the following:

- Financial information relating to those accounts was fairly presented.
- An LSUHSC-NO internal investigation determined that an employee used his state-issued LaCarte procurement card to purchase tools, equipment, machine parts, and other merchandise totaling over \$26,000 for resale and personal use. The employee resigned in September 2011 and LSUHSC-NO withheld annual leave in the amount of \$1,752. Management has developed a corrective action plan that includes recouping the remaining funds.
- State appropriations have been reduced at a faster rate than LSUHSC-NO can increase tuition and self-generate new revenues from contracts and grants.



LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER - NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED JANUARY 9, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, 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 has been made available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

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 \$4.17. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3418 or Report ID No. 80120051 for additional information.

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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain audit procedures at Louisiana State University Health Sciences Center - New Orleans (LSUHSC-NO) as part of the Louisiana State University System's financial statement audit for the year ended June 30, 2012, and to evaluate its accountability over public funds for the period July 1, 2011, through June 30, 2012.

We tested controls, compliance, and financial reporting for the following accounts in LSUHSC-NO financial statements: capital assets, net assets, state and local grants and contracts revenues, revenues from sales and services of educational departments, and educational and general expenses. Our procedures on those accounts disclosed the following:

- Financial information relating to those accounts was fairly presented.
- An LSUHSC-NO internal investigation determined that an employee used his state-issued LaCarte procurement card to purchase tools, equipment, machine parts, and other merchandise totaling over \$26,000 for resale and personal use. The employee resigned in September 2011 and LSUHSC-NO withheld annual leave in the amount of \$1,752. Management has developed a corrective action plan that includes recouping the remaining funds.
- State appropriations have been reduced at a faster rate than LSUHSC-NO can increase tuition and self-generate new revenues from contracts and grants.

This report is a public report and has been distributed to state officials. We appreciate the assistance of LSUHSC-NO in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 10, 2012

**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER - NEW ORLEANS
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA**
New Orleans, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana State University System's (System) financial statements for the fiscal year ended June 30, 2012, we conducted certain procedures at Louisiana State University Health Sciences Center - New Orleans (LSUHSC-NO) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of the LSUHSC-NO operations and system of internal controls, including internal controls over a major federal award program administered by LSUHSC-NO, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LSUHSC-NO.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using LSUHSC-NO annual fiscal reports and/or system-generated reports and obtained explanations from LSUHSC-NO management for any significant variances.
- Our auditors considered internal control over financial reporting and examined evidence supporting the following LSUHSC-NO account balances and classes of transactions material to the System's financial statements: capital assets, net assets, state and local grants and contracts revenues, sales and services of educational departments revenues, and education and general expenses.
- We also tested LSUHSC-NO compliance with laws and regulations that could have a direct and material effect on the System's financial statements, as part of our audit of the System's Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.
- Our auditors performed internal control and compliance testing in accordance with Office of Management and Budget Circular A-133 on the Research and Development Cluster for the fiscal year ended June 30, 2012, as part of the Single Audit of the State of Louisiana.

The Annual Fiscal Report of LSUHSC-NO was not audited or reviewed by us, and, accordingly, we do not express an opinion on this report. LSUHSC-NO accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we identified a finding that is required to be reported by *Government Auditing Standards*. Other than the finding noted below, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures, including our procedures on federal programs, which should be communicated to management.

Misuse of LaCarte Procurement Card

An employee of LSUHSC-NO used his state-issued LaCarte procurement card from April 2010 through September 2011 to purchase merchandise totaling over \$26,000 for resale and personal use. The purchases included air conditioning condensing units and parts totaling \$10,553; two ice machines totaling \$4,559; and various tools, equipment, and machine parts totaling \$11,408. The employee resigned in September 2011 and LSUHSC-NO withheld annual leave in the amount of \$1,752. LSUHSC-NO management notified the police department, district attorney, and the Legislative Auditor's Office.

The employee worked independently at locations away from the main campus and was authorized for purchases of up to \$5,000 on the procurement card. His supervisor, on the main campus, did not ensure that his procurement card purchases were for legitimate operational and business purposes until the employee was asked to locate an ice machine and an air conditioning condenser unit that were purchased in August and September 2011, respectively. The employee admitted to having sold the air conditioning condenser unit. The ice machine has not been located.

LSUHSC-NO employees failed to follow university LaCarte policies and procedures, which require supervisors to review transactions of individual cardholders to ensure that transactions were for legitimate business expenses and charged to the appropriate account. Failure to follow state and university procurement card purchase policies for purchases increases the risk of errors and fraud. In November 2011, management revised its purchasing procedures including those related to the LaCarte procurement card.

LSUHSC-NO management should continue to strengthen its controls to ensure that LaCarte procurement card purchases are made only for authorized purposes and continue to pursue recoupment for unaccounted items. Management concurred with the finding and provided a corrective action plan (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of LSUHSC-NO. The varying nature of the recommendation, its implementation costs, and the potential impact on the operations of LSUHSC-NO should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of LSUHSC-NO and its management, others within LSUHSC-NO, the System, and the Louisiana Legislature 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 blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, prominent initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

NWM:EFS:THC:dl

LSUHSCNO 2012

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation



OFFICE OF THE CHANCELLOR

SCHOOL OF ALLIED HEALTH PROFESSIONS
SCHOOL OF DENTISTRY
SCHOOL OF GRADUATE STUDIES
SCHOOL OF NURSING
SCHOOL OF MEDICINE IN NEW ORLEANS
SCHOOL OF PUBLIC HEALTH

November 26, 2012

Daryl G. Purpera, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Response to Audit Finding: Misuse of LaCarte Procurement Card

Dear Mr. Purpera,

We are in receipt of your audit finding concerning the misuse of the LaCarte procurement card as a result of the legislative audit of LSU Health Science Center - New Orleans (LSUHSC – NO) for the fiscal year ended June 30, 2012. We concur with this finding.

Corrective Action:

As stated in the finding, LSUHSC-NO has revised the department's purchasing procedures in order to prevent future misuse of the University's LaCarte procurement card. The University will continue to review the effectiveness of its controls and make improvements as weaknesses are identified.

LSUHSC-NO has begun the recoupment process and will continue its due diligence in the collection effort as outlined in LSUHSC-NO Chancellor's Memorandum-57.

Anticipated Completion Date:

The corrective action is an on-going process.

Contact Person(s):

The contact person responsible for the departmental revised procedures is:

John Ball, Associate Vice Chancellor for Property and Facilities
Phone: 504-568-4501
Email: JBall@lsuhsc.edu

The contact person who is responsible for the recoupment process as outlined in CM-57 is:

Patrick Landry, Executive Director of Accounting Services
Phone: 504-568-4815
Email: pland2@lsuhsc.edu

We are always working to improve our policies and procedures and appreciate your comments and recommendations.

Respectfully,

A handwritten signature in black ink, appearing to read "L. Hollier, MD". The signature is fluid and cursive, with a large initial "L" and a stylized "H".

Larry H. Hollier, MD
Chancellor

Cc: Terry Ullrich
LaKenya Collins