

LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED FEBRUARY 15, 2012

**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 \$3.96. 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. 5257 or Report ID No. 80110028 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 24, 2012

**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana State University System's (LSU System) financial statements for the fiscal year ended June 30, 2011, we conducted certain procedures at the Louisiana State University Health Sciences Center – Health Care Services Division (HCSD) for the period from July 1, 2010, through June 30, 2011.

- Our auditors obtained and documented an understanding of the HCSD operations and system of internal controls through inquiry, observation, and review of its policies and procedures documentation, including a review of the related laws and regulations applicable to HCSD.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using HCSD's annual financial statements and/or system-generated reports and obtained explanations from HCSD management of any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year engagement. In our prior letter on HCSD, dated December 8, 2010, we reported findings relating to energy efficiency contracts contrary to law, inadequate controls over movable property, and unlocated movable property which have been resolved by management. The status of the prior year finding relating to inadequate controls over professional service billings for Lallie Kemp Regional Medical Center will be reviewed during the next fiscal year when this entity is audited.
- Our auditors considered internal control over financial reporting; examined evidence supporting HCSD's cash, accounts receivable, amounts due to/from state treasury, capital assets, accounts payable, other postemployment benefits payable, compensated absences payable, hospital income, and hospital expenses; and tested HCSD's compliance with laws and regulations that could have a direct

and material effect on the LSU System's financial statements for the fiscal year ended June 30, 2011, in accordance with *Government Auditing Standards*.

The annual financial statements of HCSD were not audited or reviewed by us, and, accordingly, we do not express an opinion on those statements. HCSD's accounts are an integral part of the LSU System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have a reportable finding relating to failure to bill and record professional services. Other than this finding, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures.

The following significant finding is included in this report for management's consideration.

Failure to Bill and Record Professional Services

For the past 13 years, professional fee services performed by physicians under a contract between University Medical Center at Lafayette (UMCLA) and the Department of Health and Hospitals, Region 4 Office of Mental Health at the Tyler Mental Health inpatient unit were not billed. This contract did not specifically name the responsible billing party and consequently no determination was made to identify the responsible billing party. As a result, no one has billed for these professional fee services since the contract became effective in 1998. Because there was no billing of these services, the availability of billing information at UMCLA does not exist and the amount of lost professional fee revenue from 1998 through 2011 cannot be accurately determined.

In addition, UMCLA did not ensure that the contract physicians were credentialed for professional fee billing with Medicare and Medicaid, which is a requirement to recover costs from Medicare and/or Medicaid for services provided. UMCLA is currently having the physicians credentialed with Medicare and Medicaid. Once credentialed, Medicare will only allow back-billing up to 30 days from the credentialed date and Medicaid will only allow one year of back-billing. Management represented that the contract physicians were properly credentialed as it relates to the hospital inpatient billing.

Furthermore, since the professional services billing function was outsourced in April 2009, UMCLA has not implemented effective monitoring procedures to ensure amounts being billed and collected by the billing vendor are complete and accurate for services provided. During fiscal year 2011, audit procedures identified three additional physicians who provided professional services to approximately 53 patients who were not billed by the billing vendor. It is estimated that \$8,324 in professional fee services should have been billed for these services.

An adequate system of internal control over self-generated revenues should include procedures to ensure that all services provided are properly documented, recorded, billed, and collected in a timely manner. Failure to implement controls to timely bill professional services results in loss of revenue to the hospital and the state and increases the risk that errors and/or fraud could occur and remain undetected. This is the second consecutive year we have reported weaknesses in these controls at UMCLA.

Management should implement controls to ensure that all services provided are properly documented, recorded, billed, and collected and that contracted physicians are credentialed. Also, management should implement effective controls to ensure that amounts currently being billed, collected, and remitted by the billing vendor are accurate and complete. Management concurred with the finding and provided a corrective action plan (see Appendix A).

The recommendation in this letter represents, in our judgment, one which is most likely to bring about beneficial improvements to the operations of HCSD. The varying nature of the recommendation, its implementation costs, and its potential impact on the operations of HCSD should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of HCSD and its management, others within the division, the LSU System, the LSU Board of Supervisors, 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

CST:WDG:EFS:THC:dl

HCSD 2011

EXHIBIT A

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

LSU HEALTH SYSTEM
HEALTH CARE SERVICES DIVISION

- BOGALUSA MEDICAL CENTER - BOGALUSA
- EARL K. LONG MEDICAL CENTER - BATON ROUGE
- LALLIE KEMP REGIONAL MEDICAL CENTER - INDEPENDENCE
- LEONARD J. CHABERT MEDICAL CENTER - HOUMA
- LSU INTERIM HOSPITAL OF MCL - NEW ORLEANS
- UNIVERSITY MEDICAL CENTER - LAFAYETTE
- W.O. MOSS REGIONAL MEDICAL CENTER - LAKE CHARLES

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January 24, 2012

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94297
Baton Rouge, Louisiana 70804

Re: Failure to Bill and Record Professional Services – University Medical Center Lafayette

Mr. Purpera,

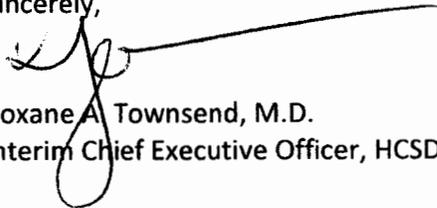
We concur with the finding of this audit. We also acknowledge that this situation is the result of an apparent misunderstanding on the part of both parties to this long standing contract for services with DHH. UMC executive management did not realize that this was their responsibility until it was both pointed out by the Auditor and then subsequently confirmed by DHH staff that no billing was taking place on their side.

For the record and as a subsequent event, we also want to disclose that at this time the inpatient psych unit has been closed. This action was effective November 30, 2011. The unit will be privatized and henceforth not affiliated with University Medical Center of Lafayette.

We do agree that strengthened internal controls are appropriate regarding the professional services billing function at UMC and additional processes are being put in place to accomplish this goal. We have identified Karen Gardiner, the Chief Financial Officer of University Medical Center, as the monitor of this finding and any appropriate corrective actions.

Please feel free to contact me should you have additional questions.

Sincerely,



Roxane A. Townsend, M.D.
Interim Chief Executive Officer, HCSD

cc: Larry Dorsey
Karen Gardiner
Jerry Bellocq
Art Landry
Mike Carter