

LOUISIANA STATE UNIVERSITY HEALTH SCIENCES
CENTER IN SHREVEPORT
LOUISIANA STATE UNIVERSITY SYSTEM

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 30, 2015

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana State University Health Sciences
Center in Shreveport

November 2015

Audit Control # 80150130

Introduction

As a part of our audit of the Louisiana State University System's (System) financial statements for the year ended June 30, 2015, we performed procedures at the Louisiana State University Health Sciences Center in Shreveport (Center) to provide assurances on financial information that is significant to the System's financial statements and to evaluate the effectiveness of the Center's internal controls over financial reporting.

The Center is a part of the System and reported an enrollment of 870 students for the fall 2014 semester. The primary mission of the Center is to teach, heal, and discover in order to advance the well-being of the community. The Center encompasses the Schools of Medicine, Graduate Studies, and Allied Health Professions in Shreveport.

Results of Our Procedures

Financial Statements - Louisiana State University System

As a part of our audit of the System's financial statements for the year ended June 30, 2015, we considered the Center's internal controls over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Statement of Net Position

Assets - Receivables

Net Position - Total net position

Statement of Revenues, Expenses, and Changes in Net Position

Revenues - Nongovernmental grants and contracts revenue, sales and services of educational departments' revenue

Expenses - Education and general expenses, and hospital expenses

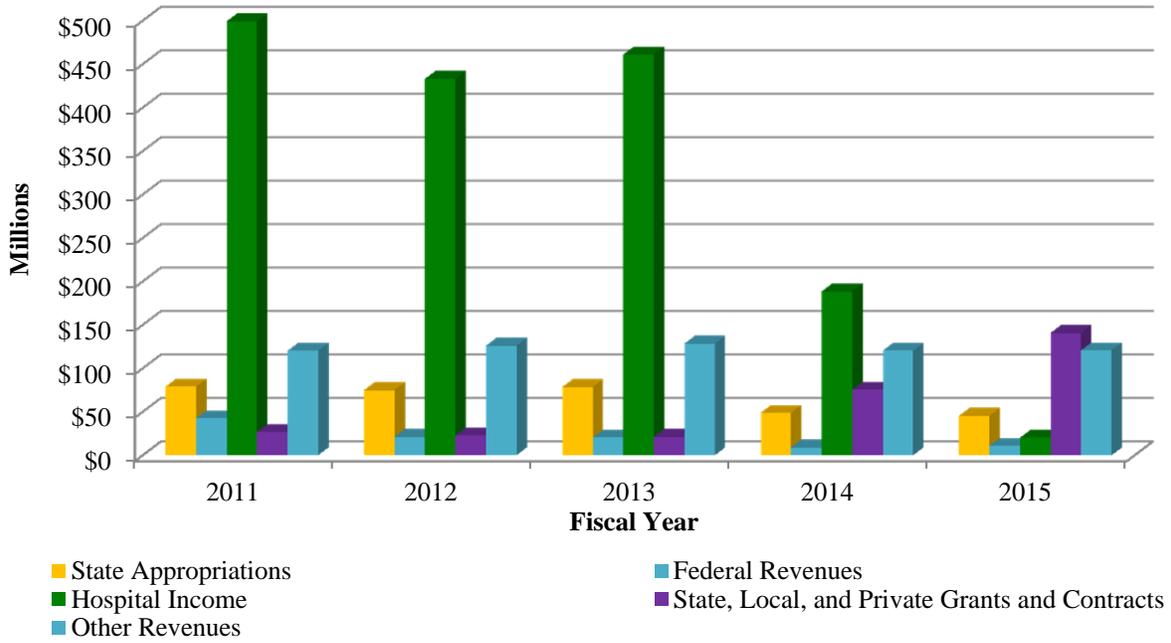
Based on the results of our procedures, we did not report any internal control deficiencies or non-compliance with laws or regulations. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using the Center's financial statements and/or system-generated reports and obtained explanations from Center management for any significant variances. We also prepared an analysis of revenues, expenses, and enrollment over the last five fiscal years, as shown in Exhibits 1 and 2.

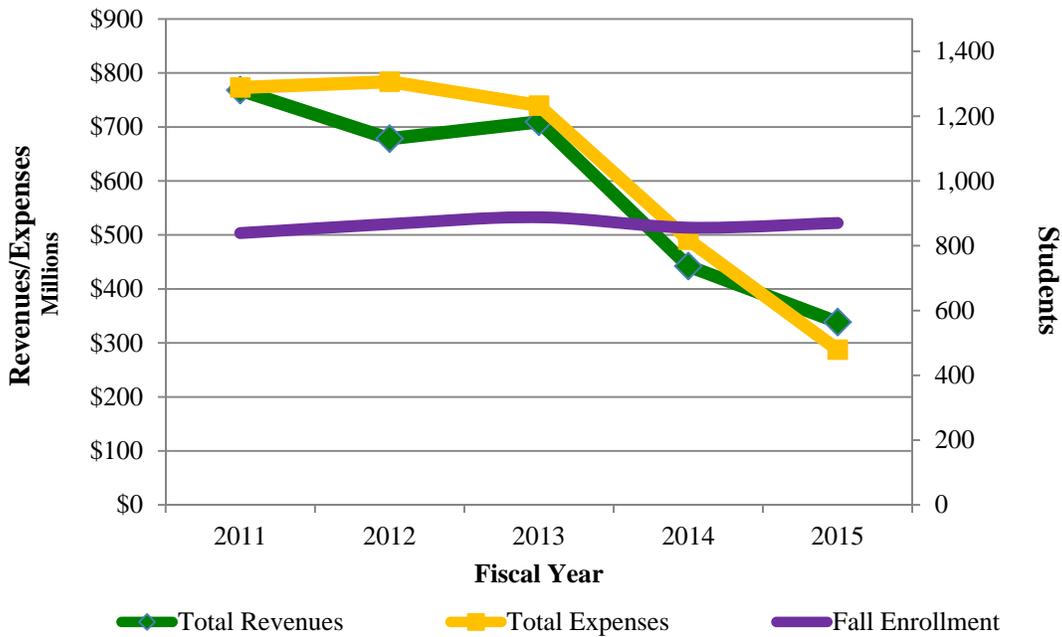
In analyzing financial trends of the Center over the past five fiscal years, revenues and expenses were fairly consistent from fiscal year (FY) 2011 to FY 2013; however, revenues and expenses decreased drastically in FY 2014 and FY 2015 due to the privatization of the Center's three hospitals. The two largest hospitals were privatized October 1, 2013, with the third hospital privatized July 1, 2014. The medical school continues to utilize tuition and fees, physician services, grants and contracts, and other revenue sources to finance its operations. Since the privatization, the primary source of revenue used to finance the Center's operations has shifted from hospital revenue to contracts revenue for physician services, which more than tripled.

**Exhibit 1
Five-Year Revenue Trend**



Source: Fiscal Year 2011-2015 LSU Health Sciences Center in Shreveport financial statements, as adjusted

**Exhibit 2
Fiscal/Enrollment Trends**



Source: Fiscal Year 2011-2015 LSU Health Sciences Center in Shreveport financial statements, as adjusted, and Board of Regents website

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, stylized initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KWB:BAC:BDC:EFS:aa

LSUHSCS2015

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana State University Health Sciences Center in Shreveport (Center) for the period from July 1, 2014, through June 30, 2015, 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. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the System's financial statements for the year ended June 30, 2015.

- We evaluated the Center's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Center.
- Based on documentation of the Center's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain Center account balances and classes of transactions to support the opinions on the System's financial statements.
- We compared the most current and prior-year financial activity using the Center's financial statements and/or system-generated reports to identify trends and obtained explanations from Center management for significant variances.

The purpose of this report is solely to describe the scope of our work at the Center and not to provide an opinion on the effectiveness of the Center's 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 the Center's financial statements, and, accordingly, we do not express an opinion on those statements. The Center's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.