



# Health Sciences Center

HEALTH CARE SERVICES DIVISION

## MEMORANDUM

School of Medicine in New Orleans  
School of Medicine in Shreveport  
School of Dentistry  
School of Nursing  
School of Allied Health Professions  
School of Graduate Studies  
Health Care Services Division

To: HCSD Hospital Administrators

From: Bob Plaisance, Vice Chancellor & CEO (Interim)  
*Bob Plaisance*

Date: February 12, 2004

Subject: Legislative Auditor's Finding – Restatement of Capital Assets

For financial statement and cost report purposes, HCSD uses capital asset and depreciation schedules provided by American Appraisal Associates (AA). We have used AA for over 30 years for computing depreciation on our cost reports while LPAA items and balances have been reported in the Plant Funds at historical cost under the LSU financial reporting model since 1998. Beginning with FY 2002, we were required to report depreciation on the financial statements, in compliance with the requirement of the Government Accounting Standards Board (GASB). Because American Appraisal Associates already had asset and depreciation schedules prepared, the management decision was made to report those amounts from the American Appraisal Associates system.

The Office of the Legislative Auditor (OLA) took exception to the change due to the large variance between the value and items included on the LPAA and SLAB systems as compared with AA. The Auditors consider these differences to be a material error to the LSU system financial statements and issued a qualified opinion for FY 2002 and 2003. Further, without resolution the Auditors will likely issue a qualified opinion for FY 2004.

Dr. Jenkins has made the resolution of this issue a very high priority. Therefore, whatever resources are necessary within reason must be utilized to eliminate the audit report qualification. To this end, I have directed Art Landry and Ken Laney to develop a plan of action that will meet the requirements of the OLA. The successful completion of this project prior by the end of this fiscal year is dependent upon your cooperation and assistance.

I ask that any request made by Ken, Art, or their representatives in furtherance of the objectives of this project be considered a high priority requiring your immediate attention and response. Due to the potential financial impact a qualified opinion has on the LSU System, we must work together to complete this project before the end of this fiscal year. Should you have any questions concerning this project and its importance to LSUHSC HCSD, please call me at (225) 922-0490.

cc: Bill Silvia  
Don Elbourne  
Art Landry  
Ken Laney  
Judy Albin  
Bruce Janet  
Hospital CFO's

Don Elbourne



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To: HCSD Hospital Administrators

From: Bob Plaisance, Vice Chancellor and Chief Executive Officer  
(Interim) *Bob Plaisance*

Date: February 12, 2004

Re: Responsibility for Property Control Managers and the Asset Management/Movable Property Control Function

For the state fiscal years that ended June 30, 2002 and June 30, 2003, the Legislative Auditor's Office qualified their report on the accuracy and the fair presentation of the LSU System's financial statements as a direct result of the asset management and movable property findings of the HCSD hospitals. This is the result of Health Care Services Division's repeat audit findings on the unreconciled variances between the Louisiana Property Assistance Agency (LPAA) system, State Land and Building System, (SLAB), and the American Appraisal Associates (AAA) reports including the multitude of errors and omissions at the hospitals as part of the auditors attestation and internal control review of your property control managers and the lack of accuracy on the annual certification. As a result of this qualification, I have been directed to resolve the issue of unreconciled variances between the LPAA/SLABS system and the AAA systems and to insure that there are no repeat audit findings in the area of asset management and property control. You should have recently received separate correspondence on this project initiative requesting your assistance and full cooperation with its efforts.

To begin with, let me state clearly, Hospital Administrators are accountable and responsible for the actions of the Property Control Managers at their facility. This includes, but will not be limited to, the accuracy of reporting unlocated property, routine data input into the LPAA system, updates to the AAA spreadsheets, and accuracy and performance of the annual physical inventory and annual certification. Regardless of the job performance of the property managers, the Hospital Administrators will ultimately be held responsible for insuring appropriate updating, monitoring, and maintaining the asset management and movable property control functions on an ongoing basis. This has become necessary due to several years of lack of attention, insufficient staffing, poorly kept records, inadequate physical inventory processes, and

simple overall neglect that has resulted in the systems being out of balance and other reportable audit finding on lack of controls, missing equipment, etc.

It is your responsibility as managers of your respective hospitals to insure that the newly empowered Asset Management project team, composed of HCSD Finance staff and HCSD Internal Audit staff, receives full and complete cooperation from your facility and staff. Any requests for assistance or manpower requests are to be granted. Any exceptions to this policy will be brought to my immediate attention.

In spite of the HCSD system wide issues in property control, there are several instances where a specific hospital's staff has shown initiative and initiated efforts to reconcile these variances and adjust both the LPAA and AAA systems as necessary. I am aware of those efforts and thank you for making the first move in this lengthy process.

If you have any questions please contact or need clarification please contact Art Landry at (225) 922-1157 or Ken Laney at (225) 922-1424.

cc: Bill Silvia  
Hospital CFOs  
Don Elbourne  
Ken Laney  
Art Landry  
Judy Albin