



Louisiana State University System

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Office of the Executive Vice President

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January 22, 2009

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding - Energy Efficiency Contract Contrary to Law

Dear Mr. Theriot:

Recently, several LSU System institutions received audit findings from your office relative to performance-based energy efficiency contracts with Johnson Controls, Inc. (JCI). Specifically, the University of New Orleans, Louisiana State University, Louisiana State University Health Sciences Center Shreveport, University Medical Center and Lallie Kemp Medical Center received audit findings related to contracts with JCI.

The findings state that the agreements are contrary to state law because the operational savings are not verified or measured, and, as such, the savings truly guaranteed under the contract are less than the cost of the contract.

In the findings for these facilities, it is stated that management should "revise" or "reconstruct" the energy efficiency contract to "comply with state law to ensure that each savings component is verifiable and that the guaranteed savings have been realized." Furthermore, your office has requested an official response to the audit findings.

The LSU System concurs with these findings. In response to these findings, the LSU System is fully investigating this matter. The LSU System institutions are unable to unilaterally amend the contracts to comply with state law. As such, the LSU System is in the process of extensively reviewing each contract, discovering all facts relevant to the status of the contracts and preparing for litigation to remedy the situation by nullifying the agreements, forcing amendments to the agreements or recovering for breach of the agreements should this be determined to be the appropriate course of action.

We are unable to provide an anticipated completion date for the estimated resolution of these findings at this time as we are currently performing extensive reviews of the contracts and focusing ongoing efforts on determining the appropriate course of action.

Sincerely,

John Antolik
Assistant Vice President

cc: General Counsel P. Raymond Lamonica

Louisiana State University & Agricultural and Mechanical College

LSU at Alexandria • LSU at Eunice • University of New Orleans • LSU in Shreveport • Hebert Law Center • LSU Agricultural Center
Pennington Biomedical Research Center • LSU Health Sciences Center - New Orleans • LSU Health Sciences Center - Shreveport • LSU Health Care Services Division