



LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

January 15, 2009

Dr. Michael Butler, Acting Chief Executive Officer  
Louisiana State University Health System –  
Health Care Services Division  
P.O. Box 91308  
Baton Rouge, Louisiana 70821

Dear Dr. Butler:

As an integral part of the Single Audit of Louisiana, we are requesting that you provide our office with an official response relating to the enclosed reportable audit finding for your department. We have discussed this finding with management of the department. Please provide a response no later than January 29, 2009. The official response should be on agency letterhead, addressed to Steve J. Theriot, CPA, Legislative Auditor, signed by an appropriate agency official, and should contain the following:

- ◆ A response for each finding in a separate letter.
- ◆ A reference to the finding by title, but please do not repeat the entire finding in your response.
- ◆ A statement as to whether you concur, concur in part, or do not concur with the individual finding and recommendation, and the reasons you concur in part or do not concur.
- ◆ A corrective action plan, including the status of action taken or action planned to correct the internal control weakness and/or finding of noncompliance, or a statement why corrective action is not necessary. Office of Management and Budget Circular A-133 requires the corrective action plan to include at a minimum the following:
  - the name(s) of the contact person(s) responsible for corrective action
  - the corrective action planned
  - and the anticipated completion date.

Dr. Michael Butler, Acting Chief Executive Officer  
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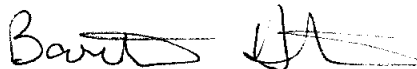
If you do not agree with the audit finding or you believe corrective action is not required, then your corrective action plan should include an explanation and specific reasons.

Also, please do not fold or staple the response as your response may be included in the Single Audit Report of the State of Louisiana.

Please note that the enclosed finding is considered a draft and will not become a matter of public record until the audit is complete. Likewise, your response to this finding is considered to be a part of our working papers and will not become a matter of public record until the audit is complete. We consider our draft finding and your response to be a confidential record comprising a part of our working papers, until the audit is complete, at which time both items of information will become a matter of public record in accordance with Louisiana Revised Statutes 44:4(6) and 44:6.

Thank you for your cooperation in this matter. If you have any questions, please contact me at (225) 339-3916.

Sincerely,

A handwritten signature in black ink, appearing to read "Barrett Hunter", with a stylized flourish at the end.

Barrett Hunter, CPA  
Audit Manager

**LSU HEALTH SYSTEM -  
HEALTH CARE SERVICES DIVISION**

**Inadequate Control Over Financial Reporting**

LSU Health System - Health Care Services Division (HCSD) did not have adequate control over its financial reporting. Good internal control requires adequate preparation and review procedures to prevent and detect errors in the financial data submitted for inclusion in the Louisiana State University System (System) Annual Fiscal Report (AFR).

After HCSD provided the auditors with their original financial data on August 28, 2008, seven revisions to the financial data were made by HCSD because of errors identified by HCSD or System personnel. The last revision was provided on September 23, 2008. The revisions affected amounts on the System's Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows, as well as numerous note disclosures.

In addition to the revisions submitted by HCSD, the auditors identified the following errors:

- Current liabilities were understated and noncurrent liabilities were overstated by \$186,225 because of a calculation error, which also required corresponding adjustments to the related footnotes for long-term liabilities and compensated absences.
- The capital assets footnote overstated the equipment additions and understated the buildings additions by \$48,944, and did not properly classify \$4,977,075 as a prior period adjustment.
- The long-term liabilities footnote understated the notes payable balance at June 30, 2007, and misstated the notes payable reduction by \$2,461,424.
- The cash flows from capital financing activities - principal paid on capital debt and leases, was understated, and purchases of capital assets were overstated by \$27,585,405. The same adjustment was required in the prior audit.

Management did not ensure that its original financial data was properly prepared and reviewed before submitting the financial data to the System. Failure to ensure accurate preparation of the financial data could result in misreported financial data and undetected errors or fraud. In addition, failure to submit accurate financial data delays the audits of HCSD and the System, which could delay the compilation and issuance of the state's Comprehensive Annual Financial Report.

HCSD management should strengthen its review procedures over financial reporting to ensure that an accurate preparation of financial data is submitted for inclusion in the LSU System's AFR.