

To the Board of Directors
Louisiana Horsemen's Benevolent and Protective Association 1993 Inc.
Horsemen's Bookkeeper Account

In planning and performing our audit of the financial statements of the Louisiana Horsemen's Benevolent and Protective Association 1993, Inc. Horsemen's Bookkeeper Account (Bookkeeper Account) as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Bookkeeper Account's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing an opinion on the effectiveness of the Bookkeeper Account's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bookkeeper Account's internal control.

However, during our audit we became aware of several matters as listed in Attachment I that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Bookkeeper Account's internal control in our *Government Auditing Standards* letter dated September 30, 2013. This letter does not affect our report dated September 30, 2013 on the financial statements of the Bookkeeper Account.

We will review the status of these comments during our next audit engagement. We have discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience.

The Bookkeeper Account's written responses to the comments identified in Attachment I and Attachment II have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the State of Louisiana and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite + Netterville

Metairie, Louisiana
September 30, 2013

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.
HORSEMEN'S BOOKKEEPER ACCOUNT

MANAGEMENT LETTER COMMENTS

FOR THE YEAR ENDED MARCH 31, 2013

2013-1 Overdraft Horsemen Accounts

Condition: During the audit we noted that at March 31, 2013, the Bookkeeper Account has \$165,783 of overdraft accounts.

Recommendation: P&N recommends that management implement a policy to limit overdraft accounts and to perform regular review of overdraft accounts. This review should be documented. Management should also review the existing overdraft accounts and determine a source of funding to reimburse the Bookkeeper Account.

Management Response and Corrective Action: We concur with the recommendation. Overdraft accounts are the result of various activity including returned NSF checks and Horse Owners starting horses without the necessary funds on deposit to cover the Jockey Mount or Pony Lead fees. We have the ability to ask the racing stewards for assistance in collecting these funds by issuing a financial judgment that will prevent the Horse Owners from running in any additional races. Cooperation from the stewards has prompted positive responses from some owners to fund their accounts. The Board of Directors has approved check cashing policies and procedures that reduced overdraft balances caused by NSF checks. During the current fiscal year, we have sent letters and phoned horsemen with overdraft account balances asking them to add funds to their accounts. We will continue with our efforts and hope that these processes will eliminate most of the delinquent balances. In a meeting, scheduled for October 14, 2013, the Board will consider pledging funds to the bookkeeper account in sufficient amount to collateralize the overdraft balances of dormant accounts.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.
HORSEMEN'S BOOKKEEPER ACCOUNT

MANAGEMENT LETTER COMMENTS (PRIOR YEAR COMMENTS)

FOR THE YEAR ENDED MARCH 31, 2013

2012-1 Overdraft Horsemen Accounts

Condition: During the audit we noted that at March 31, 2012, the Bookkeeper Account has \$148,226 of overdraft accounts.

Recommendation: P&N recommends that management implement a policy to limit overdraft accounts and to perform regular review of overdraft accounts. This review should be documented. Management should also review the existing overdraft accounts and determine a source of funding to reimburse the Bookkeeper Account.

Management Response and Corrective Action: We concur with the recommendation. Overdraft accounts are the result of various activity including returned NSF checks and Horse Owners starting horses without the necessary funds on deposit to cover the Jockey Mount or Pony Lead fees. We have the ability to ask the racing stewards to scratch a horse from a race if an owner has an overdraft account. The stewards' compliance with our request has prompted a positive response from owners to fund their accounts. At the meeting scheduled for October 2, 2012, the Board of Directors will consider a new check cashing policy intended to reduce overdraft balances caused by NSF checks. During the current fiscal year, we also sent letters to and phoned horsemen with overdraft accounts asking them to add funds to their accounts. For the fiscal year, the overdraft account balance was reduced in excess of \$30,000. We will continue our efforts, and hope that these processes will eliminate most of the delinquent balances.

Current Status: Unresolved. See 2013-1.

2012-2 Dormant Horsemen Accounts

Condition: During our audit, we noted that as of March 31, 2012, the Bookkeeper Account has \$326,120 of dormant accounts with no activity within the previous two years. When the Bookkeeper posts a transaction to a dormant account, the Internal Auditor is alerted electronically through InCompass.

Recommendation: P&N recommends that the Internal Auditor maintain documentation of review of the dormant account activity. P&N recommends that management continue to work to reduce the dormant account balance.

Management Response and Corrective Action: In June 2010 our internal auditor began documenting the review process on dormant accounts that become active. The amounts available in dormant accounts belong to owners, jockeys, and trainers. In Attorney General Opinion 93-296, we are prohibited from forwarding these funds to the State under the provisions of the Uniform Disposition of Unclaimed Property Statute, R.S. 9:151, et seq. Our bylaws permit all dormant account monies to be used for the benefit of the horsemen. Annually, we mail notices to dormant account owners and have had some success in reaching them. As of this report date, over \$130,000 has been disbursed to dormant account holders.

Current Status: Resolved.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.
HORSEMEN'S BOOKKEEPER ACCOUNT

MANAGEMENT LETTER COMMENTS (PRIOR YEAR COMMENTS, CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2013

2012-3 Wire transfer posted to Horsemen's accounts

Condition: During our audit, we noted that a wire transfer of \$5,500 was credited to a horsemen's account twice, when only one wire transfer was received. The member withdrew the funds from the bookkeeper account before management was aware of the error.

Recommendation: P&N recommends that management follow appropriate procedures to verify that amounts posted to the horsemen's account as purse winnings have been received.

Management Response and Corrective Action: The wired funds were credited to the members account twice as a result of failed communication. The member contacted the bookkeeper located at Louisiana Downs inquiring about a wire transfer to be credited to his account. The Head Bookkeeper, who is normally responsible for confirming wires, was absent on this day. The Louisiana Downs bookkeeper contacted the Senior Accountant to confirm that the funds were received. The Senior Accountant confirmed the funds and sent an e-mail to the Head Bookkeeper apprising her of the transaction. Upon returning to work, the Head Bookkeeper processed wire transfers for the time period including the previously credited transaction. The Head Bookkeeper had not read the e-mail from the Senior Accountant and the member subsequently withdrew the funds before the transaction could be corrected. To prevent this in the future, any wire transfer transactions are being communicated to the Head Bookkeeper via e-mail and phone call.

Current Status: Resolved

2011-1 Overdraft Horsemen Accounts

Condition: During the audit we noted that at March 31, 2011, the Bookkeeper Account has \$179,610 of overdraft accounts.

Recommendation: P&N recommends that management implement a policy to limit overdraft accounts and to perform regular review of overdraft accounts. This review should be documented. Management should also review the existing overdraft accounts and determine a source of funding to reimburse the Bookkeeper Account.

Management Response and Corrective Action: We concur with the recommendation. We have the ability to ask racing stewards to scratch a horse from a race if an owner has an overdraft account. The stewards' compliance with our request has prompted a positive response from owners to fund their accounts. We will continue to monitor the situation and will continue to ask the stewards to prohibit delinquent owners from starting horses in future races until their account balances are current. During the current fiscal year, we also sent letters to horsemen with overdraft accounts asking them to add funds to their accounts. As of this report date, over \$60,000 has been collected on these accounts. We hope that these processes will eliminate most of the delinquent balances.

Current Status: Unresolved. See 2013-1.

LOUISIANA HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, 1993 INC.
HORSEMEN'S BOOKKEEPER ACCOUNT

MANAGEMENT LETTER COMMENTS (PRIOR YEAR COMMENTS, CONTINUED)

FOR THE YEAR ENDED MARCH 31, 2013

2010-1 Overdraft Horsemen Accounts

Condition: During the audit we noted that at March 31, 2010, the Bookkeeper Account has \$185,830 of overdraft accounts.

Recommendation: P&N recommends that management implement a policy to limit overdraft accounts and to perform regular review of overdraft accounts. This review should be documented. Management should also review the existing overdraft accounts and determine a source of funding to reimburse the Bookkeeper Account.

Management Response and Corrective Action: We concur with the recommendation. We have the ability to ask racing stewards to scratch a horse from a race if an owner has an overdraft account. The steward's compliance with our request has prompted a positive response from owners to fund their accounts. We will continue to monitor the situation and will continue to ask the stewards to prohibit delinquent owners from starting horses in future races until their account balances are current. We hope that this process will eliminate most of the delinquent balances.

Current Year Status: Unresolved. See 2013-1.