

The Trustees
Louisiana Horsemen's Medical Benefit Trust

In planning and performing our audit of the financial statements of the Louisiana Horsemen's Medical Benefit Trust (the Trust) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Trust'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 financial statements. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 Trust's internal control in our *Government Auditing Standards* letter dated June 28, 2013. This letter does not affect our report dated June 28, 2013 on the financial statements of the Trust.

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 Trust'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
June 28, 2013

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

MANAGEMENT LETTER COMMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

2012-1 Medical Benefit eligibility

Condition: During the course of our audit procedures for the years ended December 31, 2012, we noted one exception in our test of eligibility for recipients of benefits. The recipient did not have the necessary number of starts to receive benefits under the plan document stipulations. Additionally, the medical benefits provide for maximum benefits for prescription services for each participant. The Trust does not have appropriate procedures in place to verify that participants have not exceeded the annual limit for prescription benefits as approved by the Trustees.

Recommendation: P&N recommends that management review procedures to verify members' eligibility to receive benefits prior to services being provided. Management should consider additional procedures to ensure that members do not exceed the limits for certain eligible benefits, including prescription benefits.

Management Response and Corrective Action: The eligibility determination process is still being done manually. The volume of transactions to review in determining eligibility is tremendous and complicated due to the number of race tracks involved, the numbers of races held each year and the number of racing partnerships in which a medical participant may be involved. We will again review all eligibility requirements with our personnel to mitigate the risk of an improper payment. We have also discussed an automated determination process with several companies during the course of the past year but, as of this date, they have not been able to design an effective and accurate automated system for our use.

With regards to prescription benefits, our action plan was to meet with representatives of Express Scripts (Service Provider) and AJ Gallagher (Consultant) to implement a more detailed process to review prescription benefits and limits. Our discussions proved fruitless as Express Scripts was unwilling to change its processes to help us strengthen our controls over benefit eligibility and limits. As a result, we terminated our agreement with both of these agencies. We are currently in discussions with another service provider and are continuing to try to automate the process to validate prescriptions and monitor limits. In the interim, our personnel are performing these eligibility tasks.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

MANAGEMENT LETTER COMMENTS - PRIOR YEAR

FOR THE YEAR ENDED DECEMBER 31, 2012

2011-1 Outstanding Checks

Condition: During the audit we noted that at December 31, 2011, the Trust has \$64,822 of outstanding checks in excess of six months old.

Recommendation: P&N recommends that management review the outstanding checklist and consider the appropriateness of remitting the amounts to the State of Louisiana as unclaimed property.

Current Status: Resolved

2011-2 Medical Benefit eligibility

Condition: During the course of our audit procedures for the years ended December 31, 2011, we noted one exception in our test of eligibility for recipients of benefits. The recipient did not have the necessary number of starts to receive benefits under the plan document stipulations. Additionally, the medical benefits provide for maximum benefits for prescription services for each participant. The Trust does not have appropriate procedures in place to verify that participants have not exceeded the annual limit for prescription benefits as approved by the Trustees.

Recommendation: P&N recommends that management review procedures to verify members' eligibility to receive benefits prior to services being provided. Management should consider additional procedures to ensure that members do not exceed the limits for certain eligible benefits, including prescription benefits.

Current Status: Not resolved – See item 2012-1

2011-3 Medical benefits in accordance with Louisiana Revised Statute

Condition: The medical benefits available to eligible members are defined in the Louisiana Revised Statute 4:183. Some of the benefits (including death benefits) that have been paid by the Trust are not expressly included as an eligible medical benefit and expense of the Trust as defined by the Louisiana Revised Statute.

Recommendation: P&N recommends that the Board and management consider a review of expenses paid to verify they are in compliance with the Louisiana Revised Statutes.

Current Status: Resolved

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

MANAGEMENT LETTER COMMENTS - PRIOR YEAR

FOR THE YEAR ENDED DECEMBER 31, 2012

2010-1 Outstanding Checks

Condition: During the audit we noted that at December 31, 2010, the Trust has \$54,623 of outstanding checks in excess of one year old.

Recommendation: P&N recommends that management review the outstanding checklist and consider the appropriateness of remitting the amounts to the State of Louisiana as unclaimed property.

Current Status: Resolved.

2010-2 Medical Benefit eligibility

Condition: During the course of our audit procedures for the years ended December 31, 2010, we noted three exceptions in our test of recipient eligibility for benefits. All exceptions related to cases where the recipient did not have the necessary number of starts to receive benefits under the plan document stipulations.

Recommendation: P&N recommends that management review procedures to verify a member's eligibility to receive benefits prior to services being provided.

Current Status: Unresolved. See comment 2012-1.

LOUISIANA HORSEMEN'S MEDICAL BENEFIT TRUST

MANAGEMENT LETTER COMMENTS - PRIOR YEAR

FOR THE YEAR ENDED DECEMBER 31, 2012

2009-1 Outstanding Checks

Condition: During the audit we noted that at December 31, 2009, the Trust has \$44,618 of outstanding checks in excess of one year old.

Recommendation: P&N recommends that management review the outstanding checklist and consider the appropriateness of remitting the amounts to the State of Louisiana as unclaimed property.

Current Status: Resolved.

2009-3 Medical Benefit eligibility

Condition: During the course of our audit procedures we had one exception in our test of controls over eligibility for benefits. One member received benefits and did not have the appropriate number of starts to be eligible for benefits at the time the service was provided.

Recommendation: P&N recommends that management review procedures to verify a member's eligibility to receive benefits prior to services being provided.

Current Status: Unresolved. See comment 2012-1.